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BRAZIL'S RISE TO GLOBAL POWER

by

James J. Grina

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Thesis Advisor:
Second Reader:

Thomas Bruneau
Douglas Porch

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BRAZIL'S RISE TO GLOBAL POWER

James J. Grina
Lieutenant, United States Navy
B.A., Liberal Arts, University of Montana, 2007

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Author: James J. Grina

Approved by: Thomas Bruneau, Ph.D.
Thesis Advisor

Douglas Porch, PhD.
Second Reader

Mohammed Hafez, Ph.D.
Chair, Department of National Security Affairs

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ABSTRACT

This thesis assesses the rise of Brazil as a global power. To examine this, the research takes an international relations approach to measure power in terms of a state's ability to influence other states. Three aspects that this research focuses on are wealth, land power, and international influence. These characteristics separate "hegemons," "global," "middle," and "regional" powers. Brazil's rise to global power started with instituting neoliberal reform, which produced the economic growth over the last 20 years, and has translated into the ability to domestically and globally invest in poverty and disease reduction programs across Latin America and Africa.

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LIST OF ACRONYMS AND ABBREVIATIONS

BNDES	Banco Nacional de Desenvolvimento Econômico e Social
BRIC	Brazil, Russia, India, China
EU	European Union
FTA	Free Trade Agreement
G8	Group of Eight
G20	Group of Twenty
GNP	Gross National Product
GDP	Gross Domestic Product
PPP	Purchasing Power Parity
IMF	International Monetary Fund
IO	International Organizations
IR	International Relations
ISI	Import Substitution Industrialization
LATAM	Latin America
MERCOSUR	South American Common Market
NAFTA	North American Free Trade Agreement
OAS	Organization of American States
OECD	Organization for Economic Co-operation and Development
RO	Regional Organizations
UNASUR	Union of South American Nations
UNSC	United Nations Security Council
WTO	World Trade Organization

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I. INTRODUCTION

A. MAJOR RESEARCH QUESTION

The Brazilian economy has expanded substantially in the past decade and, according to the World Bank and International Monetary Fund (IMF), it is now officially the seventh largest economy in the world.¹ Moreover, Brazil's large supply of commodities (including oil, minerals, and ethanol, among others) has given the country a special trade status to influence world prices of key raw materials. Given its economic expansion, has Brazil finally achieved global power status? If not, what indicators are lacking for consideration of Brazil as a global power?

This thesis explores Brazil's role in global politics and critically assesses how its policy influences world economic dynamics. Historically, this subject has inspired scholarly work in the role of world and so-called "emerging powers." In 1941, Stefan Zweig described Brazil as "the country of the future"² This internationally accepted assessment of Brazil's potential is frequently mustered, ironically, to dismiss a nation that has been historically plagued with high inflation and entrenched corruption.³ The recent classification of Brazil, together with Russia, India, and China as the so-called BRIC countries with the largest emerging economies, however, seems to indicate that the "country of the future" has become a force worth recognizing in the present. Various analysts believe that Brazil has finally achieved global economic power status, since the country is also a member of the Group of 8 (G-8), a forum for the governments of the world's eight most powerful economies, as well as many other influential associations. Riordan Roett cites that Brazil is a "crafty superpower" with major regional power

¹ The World Bank, GDP (Current U.S. \$), http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?order=wbapi_data_value_2012+wbapi_data_value+wbapi_data_value-last&sort=desc.

² Stefan Zweig, *Brazil a Land of the Future* (Riverside, CA: Ariadne Press, 2000).

³ Simon Romero, "Fresh Look for Author, and For Land He Lauded," *The New York Times*, November 21, 2011.

capabilities but so far lacks the vision for achieving global power status, even as the current administration struggles to find one.⁴

Although most of the literature refers to Brazil as an “emerging power,” the evidence supporting its arrival as a “global power” is inconclusive at best. This study aims to answer one question: Has Brazil achieved global power status via the expansion of its economic capabilities? In answering this question, a theoretical framework is required to define a global power. If Brazil is not a global power, then where does it stand on the scale of power?⁵ Robert Dahl defines power as follows: “A has power over B to the extent that he can get B to do something that B would not otherwise do.”⁶ The focus of this research, therefore, will be on Brazil’s ability to influence or alter the actions of other countries regionally and globally.

International relations scholars disagree about the elements of state power. States with significant amounts of power (hard or soft) within the international system are referred to by Michael Haas as minor, middle, upper middle, regional, global, or superpowers.⁷ The problem is that there is neither a concrete or commonly accepted definition of global power, nor a unifying theory that explains the thresholds or defining characteristics for each of the levels of power. Subsequently, this research will differentiate between the levels of power and analyze where Brazil ranks—ultimately determining whether Brazil has arrived at a global power status. In doing so, this thesis analyzes three primary and fungible aspects of power: wealth (GDP/purchasing power/population size); hard power (resources/military

⁴ Riordan Roett, *The New Brazil* (Washington, DC: Brookings Institution Press, 2011), 143; Roett cites Newsweek article from 2009; Mac Margolis, “The Crafty Superpower,” *Newsweek*, April 27, 2009.

⁵ Michael Haas, *International Systems: A Behavioral Approach*. (New York: Chandler, 1973), 15. By defining power as the potential to enforce decisions on others even against their will, one can distinguish between minor, middle, and major powers, depending on their ability to defeat other countries on the battlefield.

⁶ Robert A. Dahl, “The Concept of Power,” *Behavioral Science* 2, no. 3 (1957), 201–202.

⁷ Haas, *International Systems: A Behavioral Approach*, 15.

strength); and international influence (trade/role in IOs/alliances). Wealth, land power, and international influence will be evaluated as the quantitative and qualitative aspects of power.⁸

B. IMPORTANCE

In world affairs, there are always changes and transformations of the international system, whereby the balance of power becomes challenged by emerging or competitor nations. As Robert Gilpin argues, “The interests of individual actors and the balance of power among the actors do change as a result of economic, technological, and other developments.”⁹ Paul Kennedy adds that uneven growth rates along with technological and organizational breakthroughs provide additional variables to the relative strength of great powers in world affairs.¹⁰ In recent history, the Cold War exemplifies a bipolar international system where the Soviet Union and United States were the two greatest powers. Since the end of the Cold War, a plethora of economies and democracies have emerged to challenge the hegemony of the United States. Moreover, there is a growing consensus in the academic community that points to a transformation of world affairs, in which the United States will no longer be the hegemon. Some scholars have speculated that emerging economic countries, such as Brazil, will be the leading powers of tomorrow. This thesis analyzes the extent to which Brazil’s power has expanded to fill the anticipated erosion of U.S. hegemony as a systemic impact on the balance of power.

Since the nineteenth century, Latin America has been relatively disengaged from major world events, including World War I and World War II. While Mexico sent a fighter squadron to the Pacific in 1945 and the Colombian Navy participated in anti-U-boat operations in the Caribbean, Brazil was the only Latin American country to send troops to

⁸ Measurement of power is derived from a combination of realist and liberal attributes from the previous work of John Mearsheimer (2001), Bruce Russett, John Oneal (2001), Michael Hass (1973), and Carsten Holbraad (1984) in their work on ranking states according to power.

⁹ Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981), 9.

¹⁰ Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House Digital, 2010), 15.

Europe during World War II.¹¹ Post-1945, however, Latin America was too consumed by its own political quarrels, economic dislocation, and internal challenges to stability to play a significant role on the world stage. Indeed, until very recently, it was fashionable in academic circles to contrast the stunning economic surge of East Asia since the 1950s with that of the once superior Latin American economies.¹² The surge of Brazil's economy with the concomitant rise in Brasília's political influence may offer a harbinger of the Latin American region's increasing role in world affairs. To assess that, one must be able to measure it, which explains why this research is important as it seeks to explore the extent to which a regional power matters at the systemic level.

Finally, this research anticipates increasing knowledge of Brazil's foreign policy decision-making process. As elsewhere, Brazil's potential influence and power is driven at least in part by domestic political factors, a dimension that has been overlooked by the conventional international relations (IR) literature. This research will analyze the extent to which these domestic factors shape and influence the role of Brazil in world affairs.

C. PROBLEMS AND HYPOTHESIS

The research conducted for this analysis of Brazil is primarily limited to analyzing sources in English. This may pose methodological problems since the author will be relying largely on data published by the Brazilian government. Even with this limitation, this research offers the advantage of critically assessing the various theoretical approaches to power, which are primarily established in the developed world (and published in English).

Another potential shortcoming in this research area is that scholarly work on power is inconsistent or contentious. David Baldwin argues that international relations theorists

¹¹ Robert L. Scheina, *Latin America's Wars Volume II: The Age of the Professional Soldier, 1900-2001* (Virginia: Potomac Books, 2003), 164–165.

¹² Anthony Elson, "The Economic Growth of East Asia and Latin America in Comparative Perspective. Lessons for Development Policy," *World Economics* 7, no. 2, April–June 2006, 97–114, http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCUQFjAA&url=http%3A%2F%2Fwww.researchgate.net%2Fpublication%2F23725050_The_Economic_Growth_of_East_Asia_and_Latin_America_in_Comparative_Perspective%2Ffile%2Fd912f50f9cd1d8c106.pdf&ei=JVf6UtmAYjh2QXpnIDQAQ&usg=AFQjCNF6Wxme2t8zcZT9Nn4Y6Ojvg5JJeQ&sig2=wuPOEAHxuxLFt5zt_FAmyQ&bvm=bv.61190604,d.aWc.

have disagreed about the role and nature of power.¹³ He quotes Kenneth Waltz, Robert Gilpin, Hans Morgenthau, John Mearsheimer, and David Carr as a few of the scholars involved in the controversy over the definition of power. For the purpose of this research, power will be defined as Brazil's ability to influence other countries regionally and globally on economic and security issues. In addition, power will be measured through wealth, land power, and influence within international organizations.

International relations scholars explicitly define the role and behavior of the state in terms of power, security, alliances, and influence in international organizations. An analysis of this behavior will build the thresholds and categorize each of the levels of power to determine when a state transitions to a different power level.

Additionally, most of the international relations literature refers to Brazil as an emerging power, a middle power, or the "land of the future."¹⁴ These classifications lack clear definitions and quantitative analysis accurately to categorize states in each of the levels of power. Furthermore, much of the literature available on power analysis in world politics is inconsistent, uses various conceptual definitions, and relies on differing data to rank countries.

Because there are several ways of assessing power capabilities in world affairs, one should also expect variations in assessments of how Brazil exercises its influence. As a result, one can identify three different forms in which Brazil's world influence and power can be assessed: military capabilities, economic capacity, and soft power diplomacy.

Using John Mearsheimer and Bruce Russett's characteristics, military capabilities can be measured through resources, size of force, energy consumption, and strength of military.¹⁵ Economic capacity can be measured through resources, population size, GDP,

¹³ David A. Baldwin, "Power and International Relations," in *Handbook of International Relations*, ed. Walter Carlsnaes, Thomas Risse, and Beth A. Simmons (London: SAGE Publishing Co., 2002), 177

¹⁴ Stefan Zweig, *Brazil a Land of the Future* (Riverside: Ariadne Press, 2000).

¹⁵ John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton Press, 2001) 143–145; Bruce M. Russett and John R. Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations* (New York: Norton Press, 2001), 35.

purchasing power, and overall balance of trade. Soft power diplomacy can be measured through trade, role in international organizations (IOs), alliances, and cultural influences.¹⁶

On this basis, one can posit the following hypotheses: Brazil's power falls somewhere among the definitions of a hegemon, a global power, a middle-ranking power, or a regional power. This research will focus on global power, middle power, and regional power status as providing the most accurate definitions. A hegemon exists in a unipolar or bipolar international system. Gilpin defines hegemons as "a single powerful state that controls or dominates the lesser states in the system."¹⁷ More specifically, a hegemon is a country that by virtue of its size, diplomatic and military influence can shape the international system. Pax Romana, Pax Britannica, and Pax Americana are examples of hegemons in a unipolar system.

A bipolar system—Athens-Sparta, United States-Great Britain, or United States-Soviet Union—offers classic examples of two powerful states that influence or dominate the international system and their respective regions at a given time. The hypothesis that Brazil has acquired substantial diplomatic and military influence to shape world affairs, including polarity and international conflict and cooperation as a hegemonic power, is not defensible because the majority of scholarly work on hegemons and popular opinion today conclude that the United States is the only current hegemon. However, with the relative decline in U.S. hegemony, the international system appears to be shifting toward a multipolar system.

The first hypothesis is that Brazil is a global or world power. These two types of powers exist in a structure known as balance of power, "in which three or more states control one another's actions through diplomatic maneuver, shifting alliances, and open conflict."¹⁸ In other words, balance of power is a collective system or concert of power in a multipolar system.

¹⁶ Ibid.

¹⁷ Gilpin, *War and Change in World Politics*, 29.

¹⁸ Ibid.

Additionally, in a multipolar system there are middle powers. The second hypothesis is that Brazil is a middle power. Carsten Holbraad defines middle powers as “locally prominent actors, who may be sought as allies by major powers but who are never leaders of a subsystem.”¹⁹ Middle powers are not considered world powers, as they have restrained their influence by issue and capability: not being military powers, they limit their influence in international organizations strictly through exercising diplomacy. Joshua Goldstein and Jon Pevehouse describe middle powers as “large but not highly industrialized [states]; others have specialized capabilities but are small.”²⁰ Middle powers have enough diplomacy and capabilities to be heard, but they lack the power to influence and shape the international system because they rank below the great powers.

The third hypothesis is that Brazil is a regional power. These powers are limited to influence and power within a specific region, but not beyond. Middle powers are often regional powers, but the opposite is not always true. Regional powers are defined by Øyvind Østerud as “a state, (1) that is geographically part of a delineated region, (2) that is able to stand up against any coalition of other states in the region, (3) that is highly influential in regional affairs, and (4) that, contrary to a middle power, might also be a great power on the world scale in addition to its regional standing.”²¹

D. LITERATURE REVIEW

This literature review is divided into two sections. The first section lays the foundation for theoretical frameworks on power. The second section builds on this foundation and adds the arguments of scholarly work on Brazil’s power status.

In an attempt to analyze the global power status of Brazil, a theoretical framework must be established to measure power. John Mearsheimer, an offensive realist, lays the

¹⁹ Carsten Holbraad, *Middle Powers in International Politics* (New York: St. Martin's Press, 1984), 73.

²⁰ Joshua S. Goldstein, Jon C. Pevehouse, and Scott Sernau, *Principles of International Relations* (Pearson Longman, 2008), 79–80.

²¹ Øyvind Østerud, “Regional Great Powers,” in *Regional Great Powers in International Politics, International Politics*, ed. Iver B. Neumann (Basingstoke: St. Martin's Press, 1992), 12.

foundation of global powers based on hard power—economic and military capabilities.²² More specifically, he argues that regional hegemony, wealth, pre-eminent land power, and nuclear superiority are the characteristics of a global power.²³ If these characteristics were an all-inclusive list, then the U.S., China, Russia, Germany, and Japan are arguably the only current global powers.

The issue that remains is that these characteristics omit extremely politically and economically powerful states that require more attention. Pakistan and India are nuclear power states with a considerable amount of wealth and military power, but are not considered global powers. France and the United Kingdom are members of the United Nations Security Council (UNSC) and have nuclear capabilities, but both countries are not considered global powers because they lack regional hegemony. Mearsheimer's focus also ignores the applicability of soft power. Joseph Nye argues that soft power is “the ability to affect others through the co-optive means of framing the agenda, persuading, and eliciting positive attraction in order to obtain preferred outcomes.”²⁴ In essence, soft power and hard power are measurable through military force because the capabilities achieved have similar defining characteristics.

The Kantian triangle is based on Immanuel Kant's idea of perpetual peace.²⁵ The idea of perpetual peace argues that in places where government is based on public consent, there is reluctance to go to war, because the burden of debt and hardships that war imposes on the citizens is too high. The Kantian triangle positions IOs, democracy, and economic interdependence on the three apexes.²⁶ The triangle assumes that a state's behavior is

²² John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001), 143–145.

²³ Ibid. Mearsheimer defines offensive realism as a state's propensity to seek maximum relative power in order to achieve hegemony. Pre-eminent land power is based on size and strength of a states military and resources that can be converted to a war fighting effort.

²⁴ Joseph S. Nye, *The Future of Power* (New York: Public Affairs, 2011), 20–21.

²⁵ Russett and Oneal, *Triangulating Peace*, 35–40.

²⁶ Ibid. A summarized version of Russett and Oneal definition of the Kantian triangle: If a single apex of the triangle is not enough to guarantee peace and cooperation, combining the elements reinforces the global propensity toward international cooperation and peace. When used together (increased involvement in IOs, democracy, and economic integration), the characteristics of the Kantian triangle can replace the inherent fear, mistrust, and conflict with shared interests and cooperation produced by the mutually reinforcing impact of all three apexes of the triangle.

shaped by the increasing of one or more apexes of the triangle to increase the third toward the center resulting in democratic peace. A counter argument is that China is a non-democratic state with relative peaceful existence, which downgrades the relevance of democracy as a primary characteristic to achieve peace. Power is then defined according to six characteristics: a state's share of the international systems total population, size of the urban population, energy consumption, iron and steel production, military manpower, and military expenditures.²⁷ From a liberal perspective, Bruce Russett and John Oneal argue that soft power vis-à-vis the Kantian triangle is equally important to defining what it means to be a global power. This liberal approach assumes that the international system is structured, and peace is achieved through increasing a state's role in IOs, democratizing, and creating economic interdependence.²⁸

In addition, Michael Haas provides a theoretical base for the levels of power. He argues that powers are divided into three categories: minor, middle, and major.²⁹ Additionally, Haas places the U.S. and the former Soviet Union as the only recent superpowers based on nuclear superiority.³⁰ The gap in his classification is that he fails to address and define a threshold for the characteristics of each level of power. The aforementioned empirical frameworks provide a means to classify states according to three major categories of characteristics.

Carsten Holbraad provides a further analysis of Haas' levels of power. Holbraad argues that middle powers are "locally prominent actors, who may be sought as allies by major powers but who are never leaders of a subsystem."³¹ Holbraad's study of middle powers ranks states according to gross national product (GNP) and population size. This approach oversimplifies the ranking system and places 18 developed countries into the category of middle powers with data from the early 1980s. Canada's population of 22 million and Nigeria's GNP of \$22 billion set the lower limit, while China's population of

²⁷ Ibid., 103.

²⁸ Russett and Oneal, *Triangulating Peace*, 35.

²⁹ Haas, *International Systems: A Behavioral Approach*, 15.

³⁰ Ibid.

³¹ Carsten Holbraad, *Middle Powers in International Politics* (New York: St. Martin's Press, 1984), 73. Holbraad's statistics for gross national product and population sizes is from 1983.

822 million and Japan's GNP of 496 million provide the upper limit—the U.S. and USSR were again separated as the two global powers.³² Holbraad's analysis of global powers has two problems. First, the USSR no longer exists. Second, Russia currently has the lowest gross domestic product (GDP) of all the members in the G8 (group of eight of the world's largest economies). This three-tier framework proposed Holbraad's characteristics under the category of wealth while adding purchasing power.

The gap in Holbraad's study is that the figures represent empirical data from 1975 and omit other measurable factors of power. This thesis will build on Holbraad's study and add energy consumption, purchasing power (PPP), and influence in IOs to measure power and provide a more up-to-date analysis. Energy consumption, PPP, and influence in IOs are three measurable factors that Russett and O'Neal provide to add significant importance vis-à-vis military capabilities and power, because they can transform resources to hard power capabilities.³³ Russett and O'Neal argue that "from 1885–1992, Great Britain, France, and Russia/Soviet Union" were great powers.³⁴ From the formation of the European Union (EU) and the fall of the Soviet Union, the previously mentioned countries surrendered or lost the great power status. For Russett and O'Neal, the U.S. and China are currently the only global powers.³⁵

According to Lyman Miller, a superpower is "a country that has the capacity to project dominating power and influence anywhere in the world, and sometimes, in more than one region of the globe at a time, and so may plausibly attain the status of global hegemon."³⁶ From Miller's definition based on military, economic, political, and cultural influence, the U.S. is the sole superpower, with China as a possibility of emerging in the future. He argues that other strong military and economic countries are regional powers

³² Ibid., 82–88.

³³ Russett and Oneal, *Triangulating Peace*, 103.

³⁴ Ibid., 101–102.

³⁵ Ibid., 102.

³⁶ Lyman Miller, "China an Emerging Superpower?" *Stanford Journal of International Relations* 6, no. 1 (Winter 2005). http://www.stanford.edu/group/sjir/6.1.03_miller.html. Lyman Miller is a research fellow at the Hoover Institution and an associate professor in National Security Affairs at the Naval Postgraduate School in Monterey, California. His research focuses on the foreign policy and domestic politics of China, and on East Asian international relations.

too. The gap in his study on China as an emerging superpower fails to address weak, middle, and global powers. Political and cultural influences are also difficult to measure empirically, which is why these characteristics will serve as a qualitative means to measure soft power. An example of this soft power is how Miller argues that China's most significant diplomatic role is on the UNSC for political influence.³⁷

In analyzing Brazil's global status, scholars highlight the country's accomplishments but fail to agree on its power status. For example, Elena Lazarou points out that Brazil is the EU's fifth largest foreign investor, the EU is a recipient of IMF funds, and the recent shift of Brazil to creditor of the IMF all contribute to a less asymmetrical economic relationship.³⁸ In this example, Brazil is exercising soft power beyond its geographic region through investments in the IMF and EU. Lazarou fails to mention whether this contributes to a shift in the balance of power, or Brazil is increasing its overall power status in the global arena. Brazil and the EU benefit from a mutual relationship in which Brazil can relate to the EU on more balanced terms, an indicator of Brazil's status as an emerging global power.³⁹ Further analysis of what a global power is will draw from the work of David Baldwin, who argues that in order to define power, we must first identify the scope and domain in question.⁴⁰ For this analysis, the scope and domain will be measured in terms of Brazil's ability to influence states in the global arena.

Now that the theoretical framework has been established, I will turn toward the scholarly work on Brazil's power status. Bernardo Sorj and Sergio Fausto analyze the importance of Brazil as a regional power. They argue that Brazil has an important role to play in South American integration because of its geography, economy, and political stability.⁴¹ Sorj and Fausto view Brazilian regional integration as a means to increase its

³⁷ Ibid.

³⁸ Elena Lazarou, "The Sixth EU-Brazil Summit: Business Beyond the Usual" (ESPO Policy Brief 8. FRIDE, Madrid, Spain, 2013), 1–6.

³⁹ Ibid.

⁴⁰ David A. Baldwin, "Power and International Relations," 179.

⁴¹ Bernardo Sorj and Sergio Fausto, "Brazil and South America: Contrasting Perspectives," *Plataforma Democrática* (July 2011), 1–3.

power and autonomy on the path toward global power status.⁴² They also argue that Brazil “should not give up on the aspiration of regional integration forged on solid common institutional foundations.”⁴³ This goal provides a regional narrative that South American leaders can use to coordinate their efforts and prevent losses in areas in which integration has already progressed. The gap in Sorj and Fausto’s work is that they see Brazil as neither a global or regional power but more of a state competing for each of these levels vis-à-vis regional integration.

Lael Brainard and Leonardo Martinez-Diaz’s work on Brazil’s role as an emerging superpower offers another alternative to the status of its level of power. More specifically, they argue that “if by ‘economic superpower’ we mean a country that can exert significant influence in the global economy—one that is a significant force as a rule maker, not just a rule taker—then Brazil is already well on its way.”⁴⁴ Brainard and Martinez-Diaz support their argument with Brazil’s market power and role in the energy markets. Their work outlines Brazil’s aspirations and limitations as a superpower based on a qualitative definition providing no quantitative measurement where this theoretical research will expand upon.

Further research on Brazil’s political ambitions and dilemmas (limitations) is available in Hal Brands’ study on “Brazilian Grand Strategy.”⁴⁵ According to Brands, “grand strategy is the relation of means to ends, the process by which nations harness and allocate resources in the service of their international objectives.”⁴⁶ The four dilemmas he proposes for Brazil that all limit Brazil’s potential for global power status, include: internal, regional, international, and relations with the U.S. Brand’s overall assessment in 2010

⁴² Ibid., 3. Lael Brainard and Leonardo Martinez-Diaz, *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy* (Washington, DC: Brookings Institution Press, 2009), Kindle edition, Loc. 161–163; Brainard and Martinez-Diaz also refer to this strategy as global insertion with regional integration as a means to achieve global power, which is one of Brazil’s ambitions vis-à-vis regional trade.

⁴³ Sorj and Fausto, “Brazil and South America: Contrasting Perspectives,” 14.

⁴⁴ Brainard and Martinez-Diaz, *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy*, Kindle edition, Loc. 161–163.

⁴⁵ Hal Brands, *Dilemmas of Brazilian Grand Strategy* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, 2010).

⁴⁶ Ibid., 60.

mimics that of two separate articles in *The Economist* that coin Brazil as an emerging power with potential with many internal socioeconomic issues; however, the three studies fail to define or rank Brazil as a global power.⁴⁷

E. METHODS AND SOURCES

The method for this study is to consolidate and simplify a theoretical framework to identify whether Brazil has achieved global power status. Brazil has historically desired global power status and a recent example of this aspiration is from President Lula in 2003 and Defense Minister Nelson Jobim in 2009.⁴⁸

President Lula has announced that Brazil will become a great power in this century, and Brazilian official discourse is infused with a sense of national strength and purpose. Brazil must think big, said Defense Minister Nelson Jobim in 2009. This is the moment in which it's necessary to be audacious in order to advance. . . . There is no longer any possibility of asking Brazil, on the international stage, to take positions that run contrary to its interests.⁴⁹

The framework for this research is divided into three chapters to analyze the overall power status of Brazil. Chapter I will critically assess neoliberal reform and the political economy in Brazil. The first section will analyze the economic capacity of Brazil from its democratic transition to the present day. This analysis will explore the major resources, trade policies, and relevant domestic policies that have enabled Brazil to achieve the seventh largest economy in the world. In doing so, an analysis of Brazil's major trading partners will be made to determine Brazil's credibility in the global arena. The final section of this chapter will build the foundation of the economic power, and it will provide Brazil's limitations in achieving global power status. Income distribution, education, and infrastructure are a few of the areas that will be explored to understand what challenges or

⁴⁷ Helen Joyce, "Grounded: Special Report Brazil," *The Economist*, September 28, 2013, 1–16; "Has Brazil Blown it?" *The Economist*, September 28, 2013. <http://www.economist.com/news/leaders/21586833-stagnant-economy-bloated-state-and-mass-protests-mean-dilma-rousseff-must-change-course-has>.

⁴⁸ Brands, "Dilemmas of Brazilian Grand Strategy," 2. Brand quotes Lula and Jobim from: "Brazil Must Think Big, Says Jobim," *Latin American Regional Report: Brazil & Southern Cone*, July 2009; "Lula Launches Preparations for Superpower Status," *Latin American Security & Strategic Review*, September 2007, 2.

⁴⁹ Ibid.

achievements Brazil has experienced over the last 20 years. Empirical data from the Organization for Economic Co-operation (OECD,) the World Bank, the UN, and the IMF will provide sufficient information to compare Brazil to the members of the BRIC nations, Latin America (LATAM), and other global powers.

Chapter II will be divided into three sections. The first section will provide an analysis of the military capabilities of Brazil, utilizing data from Stockholm International Peace Research Institute (SIPRI) and the International Institute for Strategic Studies (IISS). This analysis will quantify Brazil's personnel, assets, and military expenditure. The second section will provide a comparative analysis of the BRIC members to determine the status of Brazil in relation to the other emerging powers.

Chapter III will turn to Brazil's most influential area of expertise with soft power diplomacy in trade and economics. An analysis of its role in IOs, the United Nations (UN), and cultural impact outside of Latin America, are a few areas that will build on the importance of Brazil in the international community as a potential global power. Literature on Brazil's status and limitations includes Hal Brands' assessment of economic success and dilemmas and Lael Brainard and Leonardo Martinez-Diaz's book on Brazil's role in the global economy.⁵⁰ International influence will be measured from statistics from the IMF and World Bank, and analyses from Ana Alves, Elena Lazarou, and Christina Stolte on Brazilian trade relations.⁵¹

F. THESIS OVERVIEW

Chapter I will provide a brief background of Brazil and its economic achievements vis-à-vis neoliberal reform policies. The importance of the success in Brazilian economics leads into the question of where Brazil stands in relations to global powers in the world, and what its role should be. For the purpose of this research, the comparative analysis will encompass population size, resources, technology, and challenges to Brazil's status as a

⁵⁰ Ibid; Brainard and Martinez-Diaz, *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy*.

⁵¹ Ana C. Alves, "Chinese Resource Quest in Brazil: The Changing Role of Economic Statecraft," *Portuguese Journal of International Affairs* 6 (2012); Lazarou, *The Sixth EU-Brazil Summit: Business Beyond the Usual*; Christina Stolte, "Brazil in Africa: Just Another BRICS Country Seeking Resources?" *Chatham House Briefing Paper* (2012).

global power. This chapter will lay the foundation of Brazil's wealth, based on internal resources including oil, natural gas, and energy. The second section will focus on the domestic economic reform policies that have accelerated the economy in Brazil. This research will explore Bolsa Família, the Real Plan, the Growth Acceleration Program of Investment, Export Oriented Growth, and BRIC status as a few of the reform attempts to fix the socioeconomic issues and build wealth in Brazil past the status of an emerging country

Chapter II will describe the military capabilities of Brazil and provide a comparative analysis in relation to Latin America and the BRIC nations. In doing so, this chapter will explore the areas that matter most for hard power including military spending, size of force, and technology of its forces. Measuring military power will incorporate a state's internal resources, military strength, and energy consumption as factors that are easily transferred into hard power capabilities. Additionally, a comparison will be made to each of the military capabilities with the leading militaries of LATAM, BRIC, and current global powers.

Chapter III will focus on soft power diplomacy and international influence measured through trade, role in IOs, alliances, and the UN because these are indicators of exerting political and economic influence beyond the state and region. This chapter will further explore Brazil's international influence through trade partnerships, and cultural impact outside of the Latin American region. This research will explore trade with Africa, China, and the EU as an alternative to East-West cooperation and a more South-South approach to counter the power of U.S. hegemony. Furthermore, trade among the emerging blocs and Brazil's role will describe Brazil's level of regional and global influence. This chapter will also explore Brazil's role in other international organizations, and how Brazil progressed from receiving IMF loans to becoming a loan guarantor. How this happened and how much influence Brazil has in the IMF will be two of the major questions answered. The final section of this chapter will look at Brazil's regional influence through its position in the Organization of American States (OAS), the Union of South American Nations (UNASUR), and the UN.

The primary focus throughout each chapter is Brazil's achievements, aspirations, limitations, and international influence during the Luiz Inácio Lula da Silva (Lula) and Dilma Rousseff administrations. Chapter IV will summarize Brazil's accomplishments and determine whether Brazil is a global power according to the framework established. Further suggestions can then be made as to whether Brazil deserves greater scrutiny in the international community as a global player. This research can then determine whether it is necessary for increased U.S.-Brazil relations or if the status quo should remain.

II. BRAZILIAN POLITICAL ECONOMY

A. NEOLIBERAL REFORM IN BRAZIL

This chapter determines the extent to which domestic economic and political factors shape and influence the role of Brazil in world affairs, and how these dynamics contribute to neoliberal reform in Brazil. The analysis addresses gradual market reform and shock therapy as the two most popular paths to economic growth that Brazil attempted during military rule (1964–1985), transition to democracy (1985–1995), and consolidation of democracy (1995–present). First, this chapter will argue that economic crisis and an ideational approach (learning from previous mistakes) are the primary contributing factors to neo-liberal reform and the economic success of the Brazilian economy. Subsequently, this economic success provides the foundation for the argument for Brazil’s global power status. Furthermore, the economic success of Brazil enables it to extend diplomatic influence through trade. Overall, neoliberal reform opened Brazil to international markets; trade translates to power in the global arena. Finally, the emergence of Brazil as a competitive global economy contributes to a shift in the international balance of power from a bipolar/unipolar to a multipolar system.

1. Existing Neoliberal Reform Theories

The first section of this chapter provides a summary of theories explaining why countries institute neo-liberal reform policies—specifically, economic crisis theory; political institutional theory; ideational theory; rational choice, and finally cognitive-psychological theory. These theories provide the justification for the application of what is termed orthodox or heterodox economic solutions. The orthodox approach refers to the more gradual and long-term stabilization programs. Heterodox reform policies will be used in terms of the shock therapy approaches, which are radical, quick fixes to economic problems.

The heterodox and orthodox approaches are about state intervention, which relates to how the domestic market is regulated. To institute neoliberal reform, the stabilization programs (Cruzado Plan 1986, Collor Plan 1990–1992, and Plano Real 1994–present)

needed to occur first to combat debt and inflation issues. Once those issues were corrected, the neoliberal reform involving deregulation, openness to trade, and privatization could occur. The major theme from 1990 and into the 2000s in Brazil was the legislative initiative geared toward price indexation, where the government regulated prices and wages. The shock programs (heterodox) froze these parts of the market immediately, which involved high levels of state interventionism. The gradual program (orthodox) or Real Plan (Plano Real), introduced a new currency backed by the U.S. dollar but did not have an immediate effect. Instead of freezing prices and wages, Plano Real gradually changed prices and wages to keep the market profitable. This was still state interventionism, but on a more gradual level to help the market function. Both approaches (orthodox and heterodox) are a form domestic market manipulation that attempted to combat the issues of major debt and hyperinflation.⁵²

While Brazil has shifted between shock therapy and gradual-market reform, both involve some sort of state intervention, as the Brazilian government likes to shape or control the market based on which stabilization program is implemented. This ability to create wealth through reform is what leads to the discussion of increased trade partnerships and reinvestment to fix the socioeconomic issues of poverty, inflation, and debt.

The second section will analyze contributing factors to Brazil's economic reform during military rule (1964–1985). The third section will assess neo-liberal reform during the transition to democracy (1985–1995). Similarly, the fourth section will analyze the neo-liberal reform during the consolidation of democracy (1995–present), and how reform reinforces democratic principles. The subsequent section will assess the extent to which Brazil's neo-liberal reform policies have shaped its domestic agenda and influence through trade. This section will also analyze how these reforms increased the economic power of Brazil, which contributes to increased international influence vis-à-vis trade relations and a shift in the balance of power. The final section will assess the economic limitations to Brazil's global power status.

⁵² Kurt Weyland, *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela* (Princeton: Princeton University Press, 2002), 3–39.

a. *Economic Crises Theory*

Kurt Weyland presents four theoretical arguments to explain the contributing factors of neoliberal reform policies in Latin America. Weyland also argues that a crisis is central to triggering economic reform.⁵³ The first theory is the economic crisis argument that centers on economic crises and external influences. More specifically, “economic arguments emphasize that severe economic problems resulting from external dependency and strong pressures from international financial institutions forces Latin American governments to adopt orthodox (gradual) adjustments.”⁵⁴

When Brazil’s foreign debt doubled to 43 billion from 1975–1978,⁵⁵ Brasilia applied an orthodox solution under military rule, which pursued foreign direct investment or loans through aid from the World Bank and the IMF. Prescriptions were also made to reduce tariffs and other trade barriers, and introduce other neoliberal reforms. However, as Albert Fishlow points out, this failed largely because the government failed to curb inflation and encountered rising debt problems. After applying the IMF prescribed plans, Brazil turned toward a more heterodox approach in the mid-1980s.⁵⁶ President José Sarney enacted the Cruzado Plan in 1986 that immediately froze price and exchange rates, leading to a temporary elimination of inflation. This stabilization plan was intended to counter the immediate economic crises and open Brazilian trade to produce increased growth. Within a year, the Sarney administration raised taxes, exchange rates began to vary, and indexation returned that led to the re-emergence of inflation and the government’s inability to meet its financial obligations.⁵⁷ Indexing is the process of adjusting prices and wages, which would potentially slow or eliminate the rising inflation rates. During the period of indexing, expanding credit and foreign loans led to the rising debt, and the foreign trade expansion perpetuated the economic boom and bust cycle. The economic crises theory shows that

⁵³ Ibid., 3, 7.

⁵⁴ Ibid.

⁵⁵ Boris Fausto, *A Concise History of Brazil* (Cambridge, UK; New York, NY, USA: Cambridge University Press, 1999), 301.

⁵⁶ Albert Fishlow, *Starting Over: Brazil Since 1985* (Washington, DC: Brookings Institution Press, 2011), 34–35.

⁵⁷ Ibid., 38.

governments act with measures that might be neo-liberal or orthodox, or a combination of both; however, this theory alone does not consider previous market reform failures. The ideational theory helps to fill this gap.

b. *Political Institutional Theory*

Weyland's second theory is from a political institutional perspective. The political institutional theory argues "that the successful enactment of neoliberal reform depended on the institutional powers of chief executives and the support provided by strong political parties."⁵⁸ This theoretical argument does not explain Brazil's market strategy under military rule, because of the absence of political parties. Weyland also argues that Brazil's neoliberal reform under presidents Collor (1990–1992) and Cardoso (1995–2002) had a difficult time gaining congressional support despite having strongly defined legislative powers for presidents.⁵⁹ In short, the political institutional argument is insufficient to explain why neoliberal reform was enacted.

c. *Ideational Theory*

The third theory is an ideational argument. Weyland explains that "ideational accounts stress that political elites and citizens learned from the economic failure of state interventionism and therefore embraced neoliberal ideas."⁶⁰ The ideational argument partially explains the shift from heterodox to orthodox reform policies; however, the dynamism of the Brazilian economy has created vast economic growth followed by severe crisis regardless of the approach. The ideational argument assumes that the political elites actually learned from previous failures.⁶¹ Over the last few decades, Brazil implemented the Cruzado Plan, the Collor Plans, and the Real Plan, all of which imposed high levels of state interventionism. The Cruzado Plan was a heterodox shock program that tried an alternative to the orthodox reforms under military rule. The Collor Plans were also

⁵⁸ Weyland, *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela*, 3.

⁵⁹ Ibid., 23–24.

⁶⁰ Ibid., 3–4.

⁶¹ Ibid.

heterodox shock programs. These legislative reforms happened after the failure of a previous shock program under the Cruzado Plan, and the ideational theory does not explain the propensity to use another shock program. The Real Plan fits the mold of the orthodox reform, as it gradually adjusted the price mechanism in the market instead of freezing prices, wages, and taxes. The Real Plan learned from the mistakes of the Collor Plans and made the applicable adjustments to lower the level of state interventionism.⁶² This allowed the market to rule with government assistance rather than complete control.

d. Rational Choice

The fourth theoretical argument concerns rational choice. Weyland points out that “rational choice arguments claim that given severe economic crises, politicians rationally chose drastic shock programs over gradual market reform in order to minimize the political costs of structural adjustment and to reap political benefits by using neoliberal measures to weaken their adversaries.”⁶³ This argument does not explain the two shock therapy plans of the Collor administration because there was no other choice available. Brazil was coping with hyperinflation (approximately 80 percent in 1990) and a monetary issue.⁶⁴ With an immediate economic crisis, the administration needed a quick fix and did not have the time for a gradual long-term stabilization plan. As Fishlow states, “The Collor failure shows that shock treatment, even with a major fiscal effort, is insufficient to produce an end to inflation when it is accompanied by erratic monetary policy, a fluctuating exchange rate, and a labor market in disequilibrium.”⁶⁵ The rational choice theory also does not explain why Brazil chose neoliberal reform policies under military rule. Under military rule, the regime did not have an adversary, and reform was based on increasing its own wealth. The rational choice theory does explain neoliberalism under the Real Plan. Under this plan, the government tweaked the previous Collor Plan to minimize the structural costs. The Real Plan had initial failures, but the choice for this program was to combat inflation with a gradual program based on the previous administration.

⁶² Ibid., 89.

⁶³ Ibid., 4.

⁶⁴ Ibid., 103–04.

⁶⁵ Fishlow, *Starting Over: Brazil Since 1985*, 41.

e. Cognitive-Psychological Theory

The fifth theoretical argument on neo-liberal reform fills the gap of the previous theories. As Weyland argues, “cognitive-psychological argument suggests that severe economic crises induced political leaders to initiate—and common people to support—neoliberal shock programs despite their tremendous economic and political risks and despite the feasibility of more prudent, less painful adjustment policies.”⁶⁶ According to Weyland, the most useful cognitive-psychological argument is the prospect theory.⁶⁷ This theoretical approach explains the propensity to take risks in political decisions based on gains and losses. The propensity to take risks is important in determining why and which neoliberal reform policies are enacted. In short, a heterodox shock therapy approach is more risky than the more gradual orthodox approach. With these theories on the calculations for implementing neo-liberal reform, subsequent sections will further analyze Brazil during three time periods to identify the causal factors of neo-liberal reform policies. More specifically, the following section will show how neoliberal reform in Brazil follows economic crises and an ideational approach

B. CAUSES OF NEOLIBERAL REFORM

The military regime in Brazil (1964–1985) came into power during the ISI phase and followed an orthodox approach to neoliberal reform. Import substitution industrialization took place across Latin America from 1930–1970 enabling Brazil, in 1974, to replace coffee with manufactured goods as the primary export commodity. The regime previously utilized ISI and privatization to expand the economy and produce economic growth. ISI reached its plateau in Brazil in the early 1970s and ushered in the era of neo-liberal reform policies. In addition, the military controlled union wages as the economy grew annually at nearly 11 percent.⁶⁸ The opening of trade and the shift to primary export commodities resulted in vast economic growth. Joseph Page notes that “by

⁶⁶ Weyland, *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela*, 3.

⁶⁷ *Ibid.*, 39.

⁶⁸ Weyland, *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela*, 74–76.

1973, the country was exporting \$10 billion worth of goods, up from less than \$3 billion in 1968.”⁶⁹ The previously mentioned economic growth, known as the Brazilian Miracle, was due to the control measures that minimized inflation through indexing, expanding credit, foreign funds, and foreign trade expansion. Indexing was the primary source of controlling the price mechanism in Brazil.

The military regime also adopted the economic policy of rent-seeking and indexation.⁷⁰ The regime focused spending on increasing strength rather than creating or improving overall wealth that benefited its citizens. Thomas Wright argues that the purpose of this type of regime was threefold: Make Brazil immune to revolution, promote economic development, and purge country of political radicals (root out all ideas of Marxism).⁷¹ To achieve each of these goals, the military regime needed to shape the economy to produce wealth and focus spending efforts on security. An example is how the regime launched major infrastructure projects with economic gains during the mid-1970s, and eliminated the threat of revolution. With the quadrupling of oil prices for a leading importer of oil during the major oil crises, the regime chose rent-seeking and indexation to meet financial obligations.⁷² The major problem is that indexation manipulated the current economy instead of creating new wealth by changing the prices and wages. Rent-seeking complicated the problem because the wealth generated was used to enhance the wealth and power of the military regime. As Page points out, the military regime in late 1970s created recession, increased inflation, and deepened the deficit.⁷³ Marcos de Barros Lisboa also states, “The government’s decision to cope with inflation was to strengthen the indexation mechanism of promoting fiscal consolidation,”⁷⁴ which flexed the strength of the regime.

⁶⁹ Joseph A. Page, *The Brazilians* (Addison-Wesley Publishing Company 1995), 20.

⁷⁰ Marcos de Barros Lisboa and Zeina Abdel Latif, “Democracy and Growth in Brazil,” Insper: Instituto de Ensino e Pesquisa, working paper 311 (2013): 18. http://www.insper.edu.br/wp-content/uploads/2013/07/2013_wpe311.pdf.

⁷¹ Thomas C. Wright, *Latin America in the Era of the Cuban Revolution* (Westport: Greenwood Publishing Group, 2001), 149–150.

⁷² Rent-seeking is spending wealth on political lobbying to increase one's share of existing wealth without creating wealth. Indexation is the process of increasing prices and spending money instead of creating more wealth.

⁷³ Page, *The Brazilians*, 21.

⁷⁴ Lisboa, *Democracy and Growth*, 18.

This approach also created subsequent problems in economic and political stability because of further indexing of prices and wages.

Indexing's high inflation rates also created an unanticipated and unstable macroeconomic environment that inevitably made Brazil more susceptible to exogenous shocks; an example is the case with the Middle Eastern oil crisis in 1973.⁷⁵ With the onset of the oil crises, Brazil's external debt was approximately 43 billion USD. As Thomas Skidmore et al. notes, "Brazil had few oil reserves, and the sharp hike in petroleum prices in 1974 forced the government to pay significantly higher prices for imports, which fueled inflation."⁷⁶ To curb the inflation that surpassed 100 percent in 1980, Brazil started to accumulate even more foreign debt.

To keep current on debt, the military regime relied on exports. This stance was because the easy phase of ISI was over. ISI inevitably created economic stagnation across Latin America, and world recession set in that caused a severe devaluation of Brazilian exports. ISI restricted economic growth to the limits of its domestic economy because of tariffs, barriers, and protectionist market strategy. To achieve economic growth, the regime had to lift these restrictions and shift to an export oriented economy. This shift enabled significant growth, but made it susceptible to exogenous shocks from the global economy.

The fast decline in the commodities market plunged the region into an economic crisis for most of the 1980s, which led to Brazil being unable to meet its financial obligations in late 1982.⁷⁷ Loans from the IMF, World Bank, and U.S. Treasury with strings attached became the norm under the Washington Consensus. For example, the IMF prescribed loans were provided after the government reduced military spending, lifted tariffs on imports, and liberalized flow of trade. As Skidmore et al. describes the prescriptions of the Washington Consensus: "first, Latin American governments should support the private sector; Second, they should liberalize policies on trade; and Third,

⁷⁵ Ibid., 19.

⁷⁶ Thomas E. Skidmore, Peter H. Smith, and James N. Green, *Modern Latin America*, 7th ed. (Oxford: Oxford University Press, 2010), 340.

⁷⁷ Ibid., 368.

perhaps most important, they should reduce the economic role of the state (in particular, they should privatize state owned industries).’’⁷⁸

These rescue loans allowed for economic growth in the industrial sector, and started the era of neoliberal reform policies. By 1985, the country produced nearly 80 percent of its needs for capital goods domestically. This ability to manufacture goods once imported allowed Brazil to become a major competitor with the global economy instead of a banana republic. Following the orthodox principles set forth by international forces, Brazil continued to see rising prices and inflation.

By 1984, Brazil’s external debt nearly doubled to 91 billion USD. The military regime’s centralization of power allowed for the transition of political power to civilian rule, which subsequently inherited this extreme debt and inflation problem. As Weyland argues, “to implement neoliberal reform involves the forceful dismantling of the established development model, and may therefore require a significant concentration of political power.”⁷⁹ The military regime in this regard allowed for the implementation of neoliberal reforms in an orthodox manner, which led to a more heterodox approach under civilian rule. In summary, neoliberal reform was attempted under military rule because ISI had reached its full potential, and the need for excess trade surplus from exports was necessary to curb inflation and rising debt. The IMF loans foreshadowed neo-liberal reform, and these economic reforms failed under the military regime—leading to a need for dramatic political change.

1. Neoliberal Reform during the Transition to Democracy

When the regime changed to civilian rule, José Sarney was the first president under the era of neo-liberal reform policies during the transition to democracy. With the economic crises created during the military regime, Sarney’s economic policy fits the mold for three of the previously mentioned theories on neoliberal reform. First, the ideational argument assumes that civilian led governments learn from previous failures. As Weyland

⁷⁸ Ibid., 369–370.

⁷⁹ Weyland, *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela*, 136.

argues, Brazil's neo-liberal reform was "to cover up the problems of the decaying petroleum rentier model through intensified government interventionism."⁸⁰ Weyland is referring to Sarney's understanding of the military regimes economic failure vis-à-vis rent-seeking and following prescribed rules the IMF set. Consequently, the need for government interventionism through neo-liberal reform was based on the military regime's previous failures.

Second, the rational choice argument explains the decision to institute shock therapy versus gradual market reform to maintain political support. Sarney inherited a strong executive branch from the military regime, and he used *medida provisórias* (provisional measures or MPs) to enact his economic and administrative measures without the approval of the National Congress.⁸¹ As Fishlow argues, the provisional measures were a unilateral means for the president "to reward supporters with governmental positions, allocate revenues to allied states and municipalities, and reward allies in myriad other ways."⁸² The provisional measures strengthened the executive powers and allowed the Sarney administration to gain popularity because it was an alternative to the military regime's economic policy.

The main task of the Sarney administration was to end inflation.⁸³ As inflation reached 80 percent in the beginning of 1990, there was only one heterodox alternative left. This heterodox approach was based upon the application of fiscal and monetary measures to eliminate excess demand.⁸⁴ There were two ways to proceed. One way was the "Larida" proposal, which consisted of a temporary dual currency, with a varying exchange rate between the new money and the old. The Sarney government decided to adopt an alternative Cruzado Plan, implemented in February of 1986, which created an immediate price and exchange rate freeze. Sarney's administration significantly decreased inflation with the Cruzado, but this was only temporary.

⁸⁰ Ibid., 72.

⁸¹ Fishlow, *Starting Over: Brazil Since 1985*, 9.

⁸² Ibid., 10.

⁸³ Ibid., 34.

⁸⁴ Ibid., 34–35.

After the government of Sarney raised taxes, inflation had quickly reemerged with even greater force. The government could no longer meet its obligations to private creditors, and official reserves had been exhausted. Brazil was at the mercy of economic crises. By 1990, inflation, debt, and the ability to meet financial obligations, soon became the inherited problem of President Fernando Collor. His administration enacted the Collor Plan, which froze prices, wages, and allowed the exchange rate to fluctuate.⁸⁵ This is an example of moving away from neoliberal reform because of an economic crisis. Government revenues increased dramatically; however, businesses wanted reduction of the high interest rate. Labor sought to restore indexation to ensure against real wage loss, and the Collor Plan ultimately failed as another round of shock therapy. The Collor Plan also counters the ideational argument because it failed to learn from the mistakes during the Cruzado Plan. In summary, the Cruzado and Collor Plans attempted shock therapy to create immediate public support, which went against an alternative orthodox approach with gradual market reform.⁸⁶

Third, the prospect theory argues that the decision to implement neo-liberal reform is based on gains and losses. The Sarney and Collor administrations favored a risky economic policy because the gains outweighed the losses. Both administrations inherited issues with debt, inflation, and currency instability from the previous executive administration. These economic issues and crises were the fault of their predecessors, thus enabling Sarney and Collor to implement a more bold-risky heterodox reform policy. Both sought drastic shock programs as Weyland notes, “as the savior who could turn the nation around.”⁸⁷ In other words, the gain is the major political support, reelection and infamy after being credited with solving Brazil’s major economic problems. In contrast, the loss for both administrations was diminished political support, trust in the banking system, and infringement of rights.

⁸⁵ Ibid., 39.

⁸⁶ Ibid., 36.

⁸⁷ Weyland, *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela*, 138.

For Collor, the political and economic risks were much higher because he lacked political support, and his two shock programs failed to stabilize the economy.⁸⁸ Additionally, these issues led to the impeachment of Collor in 1992 on charges of corruption. As Weyland argues, President Collor failed politically, but he initiated trade liberalization and pushed for privatization to put Brazil in the direction of market reform.⁸⁹ Collor was not completely successful at liberalization or privatization due to political obstacles, where the subsequent policies during the consolidation of democracy would. In summary, the contributing factors for Collor's economic reform were the inheritance of economic crises, pressure from international organizations to meet its financial obligations, and domestic socio-economic factors of inflation and income distribution.

2. Neoliberal Reform during the Consolidation of Democracy

President Collor took initial risks with shock therapy and shifted to a more orthodox approach after the failure of Collor II. He appointed a new finance minister, Marçílio Marques Moreira, and a team of new ministers to commit the government to monetary and fiscal discipline. With the impeachment of President Collor on corruption charges, a succession of finance ministers averaged less than two months in office, which created a period of political disarray.

It was not until the administration of President Fernando Henrique Cardoso (1995–2002) that the economic and political situation began to stabilize. To combat inflation, his administration gradually opened the Brazilian economy to trade and investment. Cardoso's plan proved to be successful; according to Peter Meyer, "prices immediately began to stabilize, with annual inflation falling from 2,730 percent in 1993 to about 18 percent in 1995."⁹⁰ Subsequently, Cardoso is credited with establishing the foundation for macroeconomic stability in Brazil.

⁸⁸ Ibid., 164.

⁸⁹ Ibid., 151, 164.

⁹⁰ Peter J. Meyer, *Brazil-U.S. Relations*, CRS Report RL33456 (Washington, DC: Office for Congressional Information and Publishing, February 27, 2013), 6.

The economic, rational choice and ideational theories, explain the contributing factors to Cardoso's Plano Real. Cardoso was appointed as the finance minister after the impeachment of Collor and Itamar Franco's appointment as President. This administration inherited the economic crisis that was created after the failure of three major shock therapy styles of neo-liberal reform: the Cruzado Plan, Collor I, and Collor II. As Weyland argues, Collor's political failure and shift toward a more orthodox approach took on the burden of costs for the beginning stages of a long-term stabilization program.⁹¹ Because of this, Cardoso was able to enjoy the political and economic benefits of a drastically different reform policy.

The vastly different neoliberal reform policies during the aforementioned administrations enabled the Brazilian economy to grow exponentially from investing in the domestic domain and openness to increased trade. Introduced in July of 1994, Plano Real tweaked the principles of previous economic reform policies. As Fishlow points out, Plano Real did not freeze prices or wages, and indexation was still present.⁹² Additionally, imports significantly increased between 1993–1995 due to a decrease in tariffs in the early 1990s under Collor. This trade increase allowed for the stabilization of tariffs and control over domestic prices. Furthermore, the creation of MERCOSUR in 1991, Brazil's trade liberalization, and privatization of markets allowed for accelerated growth in the late 1990s and into the 2000s. Fishlow argues that the selling of state-owned enterprises emerged due to pressure from Banco Nacional de Desenvolvimento Econômico e Social (BNDES), which allowed it to invest into steel, fertilizer, and other strategic sectors.⁹³ Privatization then became a means for the government to invest in the private sectors—creating further problems with inflation.

With the long-term stabilization program under way, economic crises triggered Cardoso's second reform policy. These economic crises were the Mexican devaluation in 1994 and the Argentine collapse starting in 1998. Cardoso's economic plans laid the

⁹¹ Weyland, *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela*, 56.

⁹² Fishlow, *Starting Over: Brazil Since 1985*, 43–44.

⁹³ Fishlow, *Starting Over: Brazil Since 1985*, 51.

foundation for economic growth that Luiz Inácio Lula da Silva (Lula) would follow, but not before economic recession occurred in 1999. Fishlow notes, this plan was to shift to a floating currency to preserve diminishing reserves.⁹⁴ This plan enabled the exchange rate to stabilize and Brazil's economy to continue to grow.

With recent global recession in the last decade, Brazil saw a mere 0.3 percent loss in 2009 while rebounding to a 10.0 percent growth in 2010.⁹⁵ Furthermore, the Brazilian economy saw a 2.9 percent growth in 2011 while stagnating just below one percent in 2012.⁹⁶ Because of this economic growth, Brazil has enjoyed the ability to invest in infrastructure, military, and socio-economic programs to improve the quality of life for Brazilians. The overall success of neoliberal reform in the 1990s vis-à-vis Plano Real created the economic stabilization that Brazil enjoys today. The stagnation of the economy in 2012 is due to Brazil's investments in pensions, rising commodity prices, and the payoff from continual runaway inflation.⁹⁷

The central theme to stimulate neo-liberal reform policies during the consolidation to democracy is economic crises. Drastic shock therapy programs in Brazil proved initially successful, but they created greater economic instability. Based on previous failures under orthodox policies, inheritance of economic crises, and internal pressures for political support led to heterodox shock programs.⁹⁸ An example of gradual economic reform is Plano Real (1994), which was based on the failure of three previous shock programs. The previous shock programs failed, but they created the initial economic stabilization, liberalization, and privatization efforts that enabled the orthodox reform policies to be successful. BNDES provided the initial internal pressure for privatization, and international

⁹⁴ Ibid., 47.

⁹⁵ Peter J. Meyer, *Brazil-U.S. Relations*, 5.

⁹⁶ The World Bank, "GDP Growth (Annual %)," <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>.

⁹⁷ "Has Brazil Blown it?" *The Economist Newspaper Limited*, <http://www.economist.com/news/leaders/21586833-stagnant-economy-bloated-state-and-mass-protests-mean-dilma-rousseff-must-change-course-has>.

⁹⁸ Heterodox reform policies are the more radical and quick fix reform policies outside of the neoclassical economic models, which refers herein to the shock therapy approaches. The orthodox reform policies refer to the mainstream economic models, which typically used gradual and long-term stabilization programs.

pressure from the International Monetary Fund (IMF) and the South American Common Market (MERCOSUR) led to liberalization in trade to produce a surplus. This surplus translates into Brazil's ability to invest and combat its socioeconomic issues.

Major causal factors to the social unrest over the last few years are poor infrastructure and poverty, which are Brazil's major socioeconomic issues. The Growth Acceleration Program of Investment is a multitude of infrastructure projects aimed at improving roads, railways, and other public works.⁹⁹ The awarding of the 2014 World Cup and 2016 Olympics are two of the major ongoing infrastructure projects. These particular events include major improvements to public transportation, security, and infrastructure for the games. These projects also are a major source of social unrest, as noted by the *Economist*, due to Brazil allocating a mere 1.7 percent of GDP to infrastructure improvements compared to 71 percent from other major economic powers.¹⁰⁰ The major issue of contention is that the tax burden, approx. 35 percent, shared by the public continues to increase while the infrastructure and public works fail to improve the quality of life at an acceptable rate for the individual citizen.

In regard to other socioeconomic issues, Brazil is reducing poverty and inequality. *Bolsa Família* was a major social works program aimed at diminishing inequality under Lula. *Bolsa Família* provided family grants, which were monthly cash transfers for 48 million people.¹⁰¹ In exchange for these grants, families ensured that their children would attend school on a normal basis and receive proper medical care. Later in his administration, Lula established new program like *Minha Casa* and *Minha Vida*, which helped to provide formal housing to low-income Brazilians. These programs have decreased poverty and increased overall school enrollment. According to the 2013 Human Development Index report, Brazil decreased the number of people who are considered

⁹⁹ Susan Schaller, "Lula's Growth Acceleration Program: The Best That Brazilian Government Funding Can Buy?" Council on Hemispheric Affairs, <http://www.coha.org/lula's-brazilian-growth-acceleration-program-the-best-that-government-funding-can-buy>.

¹⁰⁰ "Has Brazil Blown it?" *The Economist Newspaper Limited*, <http://www.economist.com/news/leaders/21586833-stagnant-economy-bloated-state-and-mass-protests-mean-dilma-rousseff-must-change-course-has>.

¹⁰¹ Fishlow, *Starting Over: Brazil Since 1985*, 137.

income poor from 17.2 percent of the total population in 1990 to 6.1 percent in 2009.¹⁰² The Organization for Economic Co-operation and Development (OECD) report on Brazilian education shows a “41 percent upper secondary attainment rate for 25–64 year-olds is below the G20 average of 56 percent and far below the OECD average of 74 percent.”¹⁰³ The decline in income disparity, increase in school enrollment, and vast economic growth over the last decade has Brazil improving its socioeconomic issues alongside the BRIC countries, but shows that it has various inhibiting factors to its emergence as a global power.

Brazil’s role as a BRIC commonly places it among the leading and emerging world powers. Brands points out that “President Lula and Minister Amorim have stated on numerous occasions that they view BRIC as an emerging trade bloc that will eventually constitute an alternative to the Western-dominated system led by the United States and the EU.”¹⁰⁴ As the weakest military power among BRIC members, Brazil has increased military spending \$14 billion USD from 2003–2009; however, 75 percent of its spending is focused on personnel.¹⁰⁵ Additional military capabilities to increase its power projection include helicopters, combat aircraft and military transports, and currently Saab has secured a contract worth \$4.5 billion dollars to replace the aging jets of the Brazilian Air Force. Additional military capabilities will be further discussed in Chapter III.

C. NEOLIBERAL REFORM AND TRADE PARTNERSHIPS

Based on Brazil’s ability to institute neoliberal reform, it has become open to trade, which is one dimension of its power in the global arena. Currently, Brazil is the fifth most populous country in the world with 198 million citizens. At 2.2 trillion, Brazil’s GDP per capita ranks seventh largest in the world and first in Latin America. To diversify its market from reliance on foreign oil, Brazil has become the second largest producer of ethanol and

¹⁰² Khalid Malik, “Human Development Report 2013. the Rise of the South: Human Progress in a Diverse World” (2013), 13.

¹⁰³ Katarzyna Kubacka, *Education at a Glance: OECD Indicators 2012*, Organization for Economic Co-Operation and Development, [2013]).

¹⁰⁴ Brands, *Dilemmas of Brazilian Grand Strategy*, 23.

¹⁰⁵ Thomas Bruneau, “Brazil Civil-Military Relations” (Lecture at the Naval Postgraduate School on Contemporary Brazil, Monterey, CA, August 27, 2013).

hydroelectric power, which comprises 85 percent of its energy demand.¹⁰⁶ Lael Brainard and Leonardo Martinez point out that, “Brazil derives 46 percent of its energy from renewable sources, compared with a world average of 13 percent and an OECD average of just 6 percent.”¹⁰⁷ According to the World Trade Organization (WTO), Brazil’s five largest trading partners are the EU, China, the U.S., Argentina, and Japan, respectively. In regard to this list, Argentina is the only trading partner that holds Brazil in its top five. This statistic represents the balance of power vis-à-vis trade partnerships, and how the Brazilian market has yet to reach the economic potential of a global power.

Since 2012, Brazil has also contributed over 20 million USD to the International Monetary Fund (IMF) as a creditor. Julia Sweig argues a major change for Brazil is that it borrowed 20 billion USD in 2003 from the IMF and paid this loan back in 2005.¹⁰⁸ After paying this loan back, Brazil has shifted from receiving IMF loans to a guarantor of loans. The recent shift of the G-8 to the G-20 also shows that the global scale of power is shifting; however, the next chapter will assess the hard military capabilities of Brazil in terms of military strength.

1. Brazilian Trade with China

Because of Brazil’s focus on neo-liberal reform, from 2000–2011 overall Brazilian international trade and influence has increased dramatically. This openness to trade is what set the stage for success of the Brazilian economy. According to the WTO, “bilateral trade between Brazil and China grew from \$2 billion in 2000 to \$77 billion in 2011, which made it Brazil’s second largest trading partner in 2009 at 16 percent of its overall trade.¹⁰⁹ Brands also notes that trade during this same time frame expanded 12 fold, and the recent discovery of pre-salt oil reserves will continue to improve the economic integration of the

¹⁰⁶ Meyer, “Brazil-U.S. Relations,” 20.

¹⁰⁷ Brainard and Martinez-Diaz, *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy*, Kindle edition, Loc. 116–117.

¹⁰⁸ Julia Sweig and David Herrero, “Brazil as an Emerging Global Power: Implications for Brazil-U.S. Relations,” The Aspen Institute, , 2. http://www.aspeninstitute.org/sites/default/files/content/docs/congressional/Sweig%20Essay_0.pdf.

¹⁰⁹ Ana C. Alves, “Chinese Resource Quest in Brazil: The Changing Role of Economic Statecraft,” *Portuguese Journal of International Affairs* 6 (2012), 30.

Brazilian and Chinese economies.¹¹⁰ The composition of trade from Brazil is primarily soya, iron ore, and oil—Brazil’s largest resources.¹¹¹ Brazil in terms of trade is following Adam Smith’s absolute cost advantage model, which states that a country should specialize in, and export, commodities in which it had an absolute advantage.¹¹² From the Chinese perspective, Brazil only accounts for 2 percent of imports and 1.5 percent of exports. Therefore, China would barely notice if Brazil stopped trading, but the Brazilian economy would suffer dramatically from the inability to export its raw materials to its top consumer. Another major problem with transporting raw materials to Asia is the cost in shipping. Lael Brainard argues that ocean shipping between 2001–2006 for iron ore was more expensive than the actual cargo.¹¹³

Trade offers both opportunities and limitations for Brazil’s international aspirations. With a growing economy and a middle class with increase purchasing power, Brazil is a favorable market for exporter of manufactures and importers of natural resources. In the global environment, trade between the U.S., Brazil, and China is a major component of their economic and diplomatic relationship. The sudden Chinese escalation in foreign direct investment (FDI) in Latin America after 2004 put Brazil in good position. China climbed to the third lender in FDI in Latin America, behind the U.S. and the Netherlands. This trend in investment highlights the diversification and commodity price stability. The global economic rise of China and its demand for raw materials has benefited natural resource sector. On the other hand, it has affected economies reliant upon labor-intensive and low skilled labor manufactures corresponding to textiles and manufactures.¹¹⁴ China’s increasing economic and diplomatic presence in Brazil is both beneficial, and a direct challenge to the Brazilian manufacturing sector. In addition, while the United States has

¹¹⁰ Brands, *Dilemmas of Brazilian Grand Strategy*, 21.

¹¹¹ *Ibid.*, 31.

¹¹² Adam Smith, “An Inquiry into the Nature and Causes of the Wealth of Nations (1776),” in *The Political Economy Reader: Markets as Institutions*, 21–40, ed. Barma and Vogel (New York: Routledge, 2008), 21–22.

¹¹³ Brainard and Martinez-Diaz, *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy*, Kindle edition, Loc. 1668.

¹¹⁴ World Trade Organization, “Trade Profiles 2012,” http://www.wto.org/english/trade_profiles12_e.pdf.

lost ground in the Brazilian market to China, it remains an important partner to both Brazil and China. First, the economic data published by the WTO illustrates the dynamics of Brazil-China and Brazil-U.S. trade. Secondly, China is a cause for optimism and concern for the Brazilian economy.

According to Alves, China and Brazil formed one of the most prosperous alliances in the developing world today. Despite diplomatic relations dating back to 1974, it was not until recently that bilateral trade increased between Brazil and China. In 2000, the percentage of Chinese exports to Brazil was very low—around \$2 billion—but in 2011 it rose exponentially reaching \$77 billion, equal to 16 percent of Brazil's total trade.¹¹⁵ The new industrial policies favored the expansion of heavy industries for extraction of metals (mineral fuels, iron, and copper) and the urban growth in China has increased wages for urban workers, generating demand for consumption. These combinations explain the economic interests of China in Brazil.

Trading with China is both an opportunity and a cost for Brazil. Where the economies are complementary, the results are positive, and where they compete, the outcomes are generally negative. The exports to China revolved around metals, oil, and agricultural products. Chinese exports products are mainly in manufactures, accounting for 93 percent of Chinese world exports.¹¹⁶ China has brought the Dutch disease, where the new production of a natural resource results in the domestic decline in production of manufactured products. This decline can have devastating effects leading to rise in unemployment and the loss of better paying jobs for Brazilians.

Brazil, with approximately half of the South American population, faces the greatest challenge of balancing China's exports. Manufactures account for 33 percent of Brazil's exports, but it also accounts for 72 percent of imports.¹¹⁷ Competing directly with China can lead to erosion of the manufacturing sector in the local economy and high unemployment. In order to protect against this outcome, Brazil has brought 101

¹¹⁵ Alves, *Chinese Resource Quest in Brazil: The Changing Role of Economic Statecraft*, 30.

¹¹⁶ World Trade Organization, "Trade Profiles 2012," http://www.wto.org/english/trade_profiles12_e.pdf.

¹¹⁷ *Ibid.*

antidumping cases against trading partners since 1989, which 20 percent were against China.¹¹⁸

China's less restrictive lending practices are a great incentive for Brazil. In fact, Alves points out that there were few investors interested in lending during the economic crisis of 2009–2011. China's "infrastructure-for-resources" is a win-win situation for Brazil with major infrastructure needs and extraction deficiency. The \$10 billion dollars loan provides insight into China's ability to adapt to the Brazilian requirements of local equipment purchases and of hiring Brazilian workers. In the end, the Chinese received concessions for oil and no-bid contracts, and the Brazilians acquired loans for their newfound pre-salt reserves.¹¹⁹

2. Brazil-U.S. Trade

Despite ranking third in both imports and exports to Brazil, the Brazil-United States trade relationship is not without contention. According to Peter J. Meyer, the United States and Brazil have some long-running disputes. Among them, are the stalled Doha trade negotiations, and Brazilian opposition to U.S. cotton subsidies.¹²⁰ In 2001, Brazil led the G-20 group of developing countries during the Doha Round of the World Trade Organization to demand that developed countries reduce and eventually eliminate agricultural subsidies as part of any agreement. In 2005, Brazil also led opposition along with several other South American countries to effectively put an end to the U.S.-backed Free Trade Area of the Americas (FTAA).

Considering the differences over subsidies and the lack of a free trade agreement, U.S.-Brazil trade has exponentially increased in the last 15 years. Peter Meyer points out "between 2003 and 2012, U.S.-Brazil trade increased 161 percent to \$75.8 billion."¹²¹ Additionally, "U.S. goods exports to Brazil increased 283 percent to \$43.7 billion and U.S.

¹¹⁸ Francisco González, "Latin America in the Economic Equation. Winners and Losers: What Can Losers Do?" *China's Expansion into the Western Hemisphere: Implications for Latin America and the United States* (2008), 153.

¹¹⁹ Alves, *Chinese Resource Quest in Brazil: The Changing Role of Economic Statecraft*, 37.

¹²⁰ Meyer, "Brazil-U.S. Relations," 15.

¹²¹ *Ibid.*, 36.

goods imports from Brazil increased 75 percent to \$32.1 billion.”¹²² Top U.S. exports to Brazil included heavy and electric machinery, oil, and civilian aircraft and parts. Top U.S. imports from Brazil included crude oil, iron and steel, machinery, ethanol, and coffee. Overall, the United States runs a trade surplus with Brazil. Because the U.S. imports machinery, Brazil prefers a trade deficit with the United States vis-à-vis China where it has a trade surplus. In the 1990s, Latin American exports started to show signs of sophistication with shares in medium to high tech exports increasing; yet the trend reversed to low-tech exports once China came in the picture.

3. Brazil-Africa Trade

Trade with Africa also increased from \$4.2 billion to \$27.6 billion with 42 percent of Brazilian exports consisted of manufactured goods.¹²³ Subsequently, Africa offers Brazil diversification from exporting simple raw materials.¹²⁴ According to Christina Stolte, trade with Africa is driven by foreign policy and not an economic benefit as a means of internationalization.¹²⁵ In other words, Brazil is expanding in Africa to share its success as a developed economy because of similar economic characteristics to its history (i.e., poverty, inequality, inflation, and debt). Stolte points out that Lula turned the business elites toward Africa in an attempt to reduce dependency on the industrialized countries—a policy that Dilma Rousseff continued through her presidency.¹²⁶ Consequently, Africa is a region where Brazil is attempting to influence based on similar geography, socio-economic, and political issues. Brazil in this sense seeks to use its development strategy to jump start cooperative food security and agricultural assistance programs throughout Africa.

Brazil is also helping Africa in the struggle against HIV/AIDS through bilateral agreements on health and establishing national institutes of health. Ultimately, Brazil is building economic relations in a developing region of the world (Africa) as a means to

¹²² Ibid.

¹²³ Christina Stolte, “Brazil in Africa: Just another BRICS Country Seeking Resources?” *Chatham House Briefing Paper* (2012), 3, 8.

¹²⁴ Ibid., 9.

¹²⁵ Ibid.

¹²⁶ Ibid.

spread its diplomatic resources and influence based on its previous neo-liberal reform. Brazil has an absolute advantage in manufactured goods over Africa; however, Chinese manufacturing presents fierce competition throughout the continent.

In terms of other competition, Peru, Colombia, Panama, Mexico, Nicaragua, and Chile maintain free-trade agreements (FTA) with the European Union (EU), which Brazil has failed to achieve due to protectionist economic policy on both sides.¹²⁷ Brazil is also prohibited from negotiating a FTA with the EU because of its membership in the South American Common Market (Mercosur). An EU-Brazil FTA would have to be negotiated through Mercosur because requires approval from the other member states.

4. Brazil-European Union Trade

At 23 percent of total trade, the EU is Brazil's largest trading partner.¹²⁸ The following contribute to a less asymmetrical economic relationship:

- Brazil as the EU's fifth largest foreign investor
- The EU as a recipient of IMF funds
- Brazil's shift to becoming a creditor to the IMF

Elena Lazarou also argues that the inability to reach mutually beneficial trade agreements and an EU-U.S. FTA would further distance Brazil from the EU.¹²⁹ In short, the global trading community appears to be shifting from bilateral to multilateral agreements through trade blocs. This means that Brazil needs to extend its influence and authority through Mercosur.

According to Bernardo Sorj and Sergio Fausto, Brazil has an important role to play in South American integration vis-à-vis MERCOSUR because of its geography, economy, and political stability.¹³⁰ Regional integration for Brazil should act as an overarching objective of increasing its power and autonomy in the context of a broader strategy of global economic insertion and projection onto the international stage. They view Brazil's

¹²⁷ Ibid., 3–4.

¹²⁸ Lazarou, *The Sixth EU-Brazil Summit: Business Beyond the Usual*, 3.

¹²⁹ Ibid., 4–5.

¹³⁰ Sorj and Fausto, "Brazil and South America: Contrasting Perspectives," 3–4.

regional integration as a counter to the exogenous U.S.-led FTAA negotiation process and not for the betterment of the LATAM states.¹³¹ Brazil attempts to build relations with the European Union and China, while viewing both as competitors on the world stage. Both of these trade partnerships are more beneficial to Brazil than the respective partners. On one hand, Brazil fails to negotiate trade agreements with the EU, and on the other, increasing trade with China impedes the domestic demand of Brazilian manufactured goods. Since both countries primarily export manufactured goods, Brazil cannot match the cheap labor of the Chinese market.

D. ECONOMIC LIMITATIONS

Hal Brands focuses on a series of “dilemmas” in discussing Brazilian grand strategy that coincide with Brazil’s international aspirations of global power. Of these dilemmas, the internal and regional dilemmas play a major role in shaping Brazil’s grand strategy. According to Brands, grand strategy is the allocation of resources to meet international goals. In other words, “Grand strategy is the relation of means to ends, the process by which nations harness and allocate resources in the service of their international objectives.”¹³² The four dilemmas he proposes for Brazil are internal, regional, international, and a weak relationship with the United States. The internal factors force an inward focused government instead of one devoted to foreign policy to fix the domestic problems. The regional dilemma turns toward membership in multilateral coalitions and Brazil’s pursuit of regional hegemony. The international dilemma focuses on the limited cohesiveness of BRIC and Brazil’s support of Iran. The weak relationship with the U.S. focuses on competition and implications from Brazil’s support for Iran.

Brands attributes the internal dilemmas to poor infrastructure, rampant crime, and excessive taxation. The poor infrastructure deficiencies that Brands focuses on are the rail system and ports. In 2004, only 10 percent of Brazil’s roads were paved, and the railroad system was severely under-developed.¹³³ This creates a major problem for the agricultural

¹³¹ Ibid.

¹³² Brands, “Dilemmas of Brazilian Grand Strategy,” 60.

¹³³ Ibid., 34.

sector as road transportation accounts for the majority of goods transferred from the Center-West Savanna. As Lael Brainard points out that road transportation “represents 61 percent of total freight, whereas railroads and waterways account only for 23 and 13.6 percent respectively.”¹³⁴ The ports are also inefficient to the point that cargo often takes three weeks or more before shipping.¹³⁵ To reinforce the internal dilemma, Brands illustrates slow growth rates and innovation, but fails to recognize that Brazil’s economy is the seventh largest in the world. He also fails to mention the shift toward foreign investment in Brazil over the last few years. The World Cup and 2016 Olympics are two major upcoming events that will potentially further increase foreign investment and funding for infrastructure deficiencies.

Rampant crime in the favelas is another internal factor that causes resources to be funneled toward internal security rather than development. The rich can afford the luxury of security through gated communities, security guards, and bulletproofing cars.¹³⁶ In contrast, the poor are forced to form alliances with favela leaders or take up arms against them. Well-armed gangs and growth of the illicit economy are fueling crime that hinders economic performance and lowers prestige abroad.¹³⁷ Subsequently, the crime and violence in the favelas escalates and forces further allocation of security forces and resources. Brands briefly mentions reform policy, but fails to mention the impact of Lula’s Growth Acceleration Program (PAC) to improve the country’s infrastructure—specifically favela and reconstruction improvements. According to the U.S. Department of Commerce, investments for structural improvements and additions for the 2014 World Cup and 2016 Olympics “from 2010 through 2016 will reach approximately \$50 billion USD, including airport renovation, stadium construction and renovations and infrastructure projects—all in preparation for the thousands of tourists who will attend these major events.”¹³⁸

¹³⁴ Brainard and Martinez-Diaz, *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy*, Kindle edition, Loc. 848.

¹³⁵ Brands, *Dilemmas of Brazilian Grand Strategy*, 34.

¹³⁶ Ibid., 36.

¹³⁷ Ibid.

¹³⁸ Patrick Levy, “IMI - 2014 World Cup and 2016 Olympic Games in Brazil,” U.S. Department of Commerce, 1–2. <http://www.nccommerce.com/Portals/5/Documents/ITD/World%20Cup-Olympic%20Report.pdf>.

A third internal dilemma is how Brazil forces taxes its citizenry excessively to alleviate social and political issues while income distribution continues to plague the country. As David Fleischer points out, taxation in Brazil is approximately 30 percent, which has historically stimulated major protests and riots.¹³⁹ In 2013, Brazilians broke out in riots over a nine-cent increase in bus fares because there is no evidence of the tax money being used for infrastructure, airports, and roads the public directly benefits from. In short, the internal dilemmas cause a diversion of resources from development to security and diminish public support for the political leadership. Excessive taxation still presents a major obstacle to public support because it forces the government to focus on internal issues over the foreign policy necessary for global power status. As for income distribution, Brazil continues to have the worst Gini index across all of LATAM. Meyer notes “the wealthiest 10 percent of the population accounts for 45 percent of national income, which is more than the bottom 80 percent combined.”¹⁴⁰ As of 2012, Brazil is the 17th most unequal income distribution country in the world at 51.9 on the Gini index.¹⁴¹ As previously mentioned, Brazil is attempting to curb poverty and income distribution by investing in socio-economic programs with positive results, but it persists as one of the many ongoing internal dilemmas.

Shifting to regional dilemmas, Brazil’s role in multilateral trade organizations and pursuit of regional hegemony contradict the idea of common good and self-interest. Brazil is unwilling to surrender its power and sovereignty to a judicial or legislative body. To form a multilateral or regional coalition, each country gives up a certain portion of sovereignty under the notion that each member will benefit mutually. Brazil does not want to succumb to the power of another regional LATAM state. Therefore, its interest in regional integration vis-à-vis Mercosur is to increase its influence, and not for the common good of LATAM.¹⁴² Consequently, Brands’ argues that Brazil’s diplomacy and trade

¹³⁹ Thomas Bruneau, “Historical Background of Brazil” (Lecture at the Naval Postgraduate School on History of Contemporary Brazil, Monterey, CA, July 23, 2013).

¹⁴⁰ Meyer, “Brazil-U.S. Relations,” 8.

¹⁴¹ CIA, “Country Comparison: Distribution of *Family* Income - Gini Index.” Central Intelligence Agency The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html?countryname=Brazil&countrycode=br®ionCode=soa&rank=17#br>.

¹⁴² Brands, *Dilemmas of Brazilian Grand Strategy*, 38–39.

policies are self-interested, thus limit their chance for regional hegemony. Brainard argues that the major problem with Mercosur is policy design.¹⁴³ He refers to the Common External Tariff that seeks to promote Brazilian industrial interests where high tariffs on capital goods force the burden of costs on the producers in Brazil, and these costs are then applied to the consumers primarily in Uruguay and Paraguay.¹⁴⁴ If Brazil was concerned with the interests of its members within Mercosur, then it would want a more solid and cohesive economic foundation that allowed the benefits of a common market with reduced costs for the consumer. Mercosur also presents challenges to Brazil's desire for bilateral trade agreements. Mercosur also challenges the power of other emerging LATAM states (i.e. Mexico, Chile, Colombia) typically aligned with the U.S. while Brazil and Venezuela attempt to exert control over other regions.

The size and economic capacity of Brazil allows a certain degree of influence on global politics. Without having the economy or military comparable to other global entities (U.S., China, and the EU), Brazil seeks strategic partnerships and alliances that cause economic challenges. Brands argues that Brazil's alignment with Iran and the limited cohesiveness of BRIC countries cause economic and diplomatic consequences.¹⁴⁵ In 2010, President Lula supported President Ahmadinejad when the U.S. was imposing economic sanctions on Iran through the UN. Brazil refused to denounce Iran's nuclear program and UN sanctions. In an attempt to become a mediator between the U.S. and Iran, Brazil came to an agreement with Turkey to allow Tehran to ship a portion of uranium abroad for enrichment. This diplomatic alignment was a means to enhance Brazil-Iran relations for two reasons. First, it was an attempt increase relations with other Middle Eastern countries. Second, it was a means to create autonomy from the U.S. as a rising power. Brazil's support of Iran's nuclear development program has caused increased political tension with the U.S.; however, according to the U.S. Department of Commerce the overall balance of

¹⁴³ Brainard and Martinez-Diaz *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy*, Kindle edition, Loc. 1640–44.

¹⁴⁴ Ibid.

¹⁴⁵ Brands, *Dilemmas of Brazilian Grand Strategy*, 43, 47.

trade doubled from 6 to 15 billion USD from 2009–2013.¹⁴⁶ One economic impact with the Brazil-Iran relationship was the inability to negotiate a 54-cent hemispheric-wide tariff on ethanol per gallon imposed by the United States. The increased political tension from Brazil's support of Iran provided little incentive for the U.S. to negotiate; however, the tariff was eliminated in 2012 to promote a hemispheric wide zone for ethanol trade.

The primacy of national interests causes the limited cohesiveness of the BRIC members. On one hand, BRIC members are allies when opposing the U.S., but competitors in trade and economic practices. An example is how Brazil views Chinese imports as a threat to its market because of China's cheaper manufacturing costs. The BRIC members have increased overall trade over the last decade, but the geographic proximity of Russia, India, and China presents competition within the region. Brands' argues that the increase of power within BRIC will cause more friction in time for resource allocation and market competition for leading export commodities.¹⁴⁷ With BRIC nations accounting for a quarter of the world's land mass and more than 40 percent of the global population, future competition over resources in Africa will cause more friction between these nations. Although these countries are the hottest rising economic powers, competition and existing trade blocs will hinder the notion of a free trade agreement or collaboration as a trade bloc within the BRIC nations.

Another dilemma for Brazil's quest for global power is the weak relationship with the United States. Susanne Gratius argues that the U.S. serves as a market and not a political partner. The basis for this argument is that Brazil's defense ministry, Itamaraty, dedicates 70 percent of its effort toward the region—not the U.S. or EU.¹⁴⁸ Brazil's ability to increase the balance of trade with the U.S. is working to its advantage economically, but many obstacles prevent a mutually beneficial political relationship between the two economic powers. Brands argues that "Brazil seeks to displace the United States as the dominant power in South America, and this objective brings with it an elevated risk of

¹⁴⁶ "Foreign Trade: Trade in Goods with Brazil." United States Department of Commerce, <http://www.census.gov/foreign-trade/balance/c3510.html>.

¹⁴⁷ Brands, *Dilemmas of Brazilian Grand Strategy*, 50–51.

¹⁴⁸ Susanne Gratius, *Brazil and the European Union: Between Balancing and Bandwagoning*, no. 2, 2012, 13.

bilateral conflict.”¹⁴⁹ As two of the top ethanol and cotton exports, Brazil and the U.S. have a history of economic disagreements due to the competition in the global market. As previously mentioned, the ethanol agreement in 2012 lifted tariffs on exports, allowing for increased trade. As for cotton, the U.S. was found illegally subsidizing its farmers and Brazil took a claim up to the WTO for dispute settlement. The U.S. was found at fault, but the WTO could not force repayment to Brazilian farmers, so Brazil threatened to increase tariffs on its imports from its Northern neighbor in retaliation. This action, known as the cotton war, led to the U.S. and Brazilian farmers receiving subsidies to make the international market fair.

Brazil and the U.S. share an ideal of liberal economy, democratic rule, counterterrorism and drug trafficking; however, Brazil is opposed to U.S. hegemony in South America. The FTAA, Washington Consensus, and Plan Colombia are a few examples of the U.S. imposing its ideals on LATAM. Brazil is not against these plans, but is against the U.S. exerting hegemonic influence across LATAM toward a unipolar system.¹⁵⁰ With the lift of ethanol tariffs, cotton settlement, and President Rousseff’s denouncement of Iranian human rights violations, Brazil-U.S. relations are of economic cooperation and political separation. For Brazil to emerge as a global power, it needs to have political influence that either aligns with the U.S. or another global power to push the international community toward a multipolar system.

Brazil’s grand strategy has several dilemmas or limitations that prevent its realization of global power. Brands’ categorizes four areas that present dilemmas for Brazil’s strategy: internal, regional, international, and a weak relationship with the United States. Increased trade relations with China, Africa, and the EU are Brazil’s attempt to counter the hegemony of the U.S. and encourage a multipolar economic and political system. Brand’s suggestion is that “Brazil must work toward a sustainable *modus vivendi* with the U.S.”¹⁵¹ With the direction of Brazil’s trade diversification as a South-South model and its inability to establish itself as the South American hegemon, the U.S. will

¹⁴⁹ Brands, *Dilemmas of Brazilian Grand Strategy*, 51.

¹⁵⁰ Ibid., 61.

¹⁵¹ Ibid.

likely not recognize a need for improving relations—unless Brazil is able to make the relationship benefit the U.S.

Chapter II assessed the extent to which domestic factors shape and influence the role of Brazil in world affairs, and the domestic political and political economic factors that contributed to neoliberal reform in Brazil. The analysis explained gradual market reform and shock therapy as the two most popular paths to economic growth that Brazil attempted during its military rule, transition to democracy, and consolidation of democracy phases. First, this chapter argued that economic crisis and an ideational approach (learning from previous mistakes) are the primary contributing factors to neo-liberal reform and the economic success of the Brazilian economy. Subsequently, this economic success provides the foundation for the argument of Brazil as a global power. Furthermore, the economic success of Brazil enables it to extend diplomatic influence through trade and partnerships. Overall, neoliberal reform explains how Brazil became open to trade; trade and partnerships provides a description of one dimension of Brazil's power in the global arena. Finally, the emergence of Brazil as a competitive global market contributes to a shift in the international balance of power from a bipolar/unipolar to a multipolar system.

In the last 50 years, Brazil experienced periods of high economic growth followed by recession because its economy was reliant on the commodities market. When commodities prices dropped, Brazil's economy would suffer. To alleviate this pressure, Brazil diversified its trade partnerships and began to exert its influence in the global economy. The choice for neoliberal reform in Brazil went back and forth between drastic shock therapy and gradual market reform. The latter became the best choice, in the 1990s, with the Real Plan because the government learned from the previous failures of the shock therapy programs.

The EU, China, and Africa offer Brazil opportunities for future economic growth, but each partnership presents challenges as well. During last decade, Brazil has performed, developed, and sustained economic growth that has placed it as the seventh largest economy in the world. The consolidation of democracy and good economic policy show that Brazil is a rising economic power with diminishing debt and increasing surpluses. Internal dilemmas of income distribution, high taxes, and infrastructure deficiencies will

continue to plague the country. Once Brazil is able to overcome these issues, it may gain more recognition as a world power. For now, Brazil will continue to be considered an emerging power or middle power alongside the other BRIC nations as it continues the quest to overcome the hegemony of the U.S. Improved relations with the U.S. may help to overcome this hurdle, but Brazil must be willing to align for or against the U.S. This means that Brazil must be willing to move away from its middle power and inward focused strategy and forge stronger foreign relations with or against the world powers. These relationships will give Brazil more diplomatic power alongside its economic power as a major hegemon among the world's elite countries. Based on the economy and trade, Brazil is far from reaching global power status, and it remains a middle power.

III. BRAZILIAN MILITARY CAPABILITIES

A. BACKGROUND OF BRAZILIAN FOREIGN POLICY

In the last 20 years, Brazil has an increasingly sought recognition and respect as an international player. President Dilma Rousseff insists that if Brazil expects to be treated as a first-world player, it must behave like one: “we are the sixth economy in the world and want to be a developed Country, with a high human development index. Our Armed Forces must also be equal to the country on meritocracy, professionalism, technical capacity and, moreover, dissuasive capacity.”¹⁵² Increased defense spending, increased size of force, and advanced technological upgrades have produced the largest capable military force in Latin America, one that is even a contender in the international arena should Brasilia decide to play an international role.¹⁵³ Brazil has begun to accept international norms in missile and arms exports, and works to constrain nuclear proliferation as a few examples of how it has begun to accept its responsibilities as an international power. Improved bilateral relations with Argentina, Sweden, and France also demonstrates its ability to form defense partnerships to upgrade its defense technology, and together with constructive engagement increase security in the global environment. Despite these advances, this chapter argues that Brazil’s military capabilities fall short of those of a global power. Furthermore, Brazil’s national security strategy and its allocation of defense dollars seem to be at odds with a foreign policy that continually attempts to justify procurement of improved technology and enhanced military assets in order to construct a force capable of playing an international role.

¹⁵² Marianne L. Wiesebron, “Blue Amazon: Thinking the Defense of Brazilian Maritime Territory,” *Austral* (2013), 118; Wiesebron quotes a speech made by President Dilma Rousseff; Rousseff, Dilma. 2012. Discurso da Presidenta da República, Dilma Rousseff, na cerimônia de apresentação de Oficiais-Generais. https://www.defesa.gov.br/arquivos/2012/Pronunciamentos/Presidente_da_re_publica/discurso_cerimonia_oficiais_generais_2012.pdf.

¹⁵³ International Institute for Strategic Studies, “Chapter 3: North America,” *The Military Balance* 114, no. 1 (2014), 371, 422; Matthew Smith, *IHS Jane's Navigating the Emerging Market: Brazil* (Emerging Markets Reports: Jane's Industry Quarterly, 2014), 423. The Military Balance notes that Brazil more than doubled defense spending (\$15 to \$34 billion) from 2007–2013. Smith points out that Brazil is seeking to build a nuclear submarine with technology and assistance from France, and it is purchasing fighter aircraft from the Swedish company SAAB.

Brazilian has gradually reconnected with the international community since the military returned to the barracks in 1985. In August 1990, Brazil formally accepted the right of the international community to monitor human rights and promote reform, a right that has been recognized by successive presidents. President Cardoso extended monitoring of human rights and, it was again by Lula da Silva and Rousseff. In July 1992, Brazil ratified the International Covenant on Civil and Political rights and signed the Non-proliferation treaty in 1994. In 1995, Brazil placed export controls on nuclear materials and joined the Missile Technology Control Regime. A year later, Brazil also became a member of the Nuclear Suppliers Group.¹⁵⁴

According to the Brazilian National Defense Strategy, there are four guiding principles of Brazilian foreign policy: non-intervention, self-determination, international cooperation, and peaceful conflict resolution.¹⁵⁵ These principles exemplify the liberalization of Brasilia's foreign policy, while it attempts to build a military force worthy of global powers, by increasing technology transfers and capabilities. For example, Brazil partnered with SAAB for new combat aircraft, which in the future will be built in country. It is also collaborating with France on nuclear technology transfer in hope of acquiring a nuclear submarine. Brazil's foreign policy also aims to achieve three goals: strengthen ties with other LATAM nations, engage in multilateral diplomacy through the UN and the OAS, and act as countervailing force to U.S. political and economic influence in LATAM. This regional stance has led the debate, especially in the United States and Mexico, to claim that Brazil seeks to be a South American, rather than a Latin American hegemon.

This chapter aims to assess three aspects of Brazil's hard power capabilities: military spending, defense partnerships, and fungible assets. Military spending is important to understand how Brazil is translating economic growth into military power. Defense partnerships are important for the transfer of technology as Brazil strives for nuclear

¹⁵⁴ Arturo C. Sotomayor, "Brazil and Mexico in the Nonproliferation Regime: Common Structures and Divergent Trajectories in Latin America," *The Nonproliferation Review* 20, no. 1 (2013), 81–105. Nuclear Suppliers Group is a multinational body concerned with reducing nuclear proliferation by controlling the export and re-transfer of materials that may be applicable to nuclear weapon development and by improving safeguards and protection on existing materials.

¹⁵⁵ Nelson A. Jobim, *National Strategy of Defense: Peace and Security for Brazil* (Brasília, Brazil: Brazilian Ministry of Defense, 2008), 6.

capabilities. The fungible assets (personnel, tanks, combat aircraft, and surface combatant ships) have led to an increase in defense spending, and the size of military force has Brazil as the top military power in LATAM. Lastly, this chapter will argue that Brazil is far from reaching the capabilities of the United States, China, Russia, and India. Brazil is slowly acquiring assets and technology, and it is increasing military spending to give the perception that it is comparable global power. However, many of its programs are prestige projects that do not translate into any applicable military capability in a regional context. For Brazil to achieve global power status, it requires at least four times the military assets (including personnel), nuclear technology, and stronger defense partnerships.

Using John Mearsheimer's offensive realist framework, this chapter will assess Brazil's land power in three sections. The first section will provide an analysis of the military capabilities of Brazil utilizing data from Stockholm International Peace Research Institute (SIPRI), Jane's International Defense Review, and the Military Balance provided by the International Institute for Strategic Studies (IISS). This first section will quantify Brazil's military expenditure, personnel, and assets. This section will also analyze the increased partnerships that Brazil is building to gain technology and increase its hard power capabilities. The second section provides a comparative analysis of the BRIC members to determine the power status of Brazil in relation to the other emerging powers. The final section of this chapter will determine the gaps or limitations in hard power capabilities in achieving global power status. In doing so, this chapter will explore the areas that matter most for hard power including military spending, size of force, and technology of its forces.

B. DEFENSE SPENDING

1. Internal Military Budget

Brazil's focus on the defense and military sectors is a recent phenomenon. The 2013 SIPRI yearbook calculated that Brazil's defense spending rose at a rate of 50 percent from 2006 to 2008, which ranks 11th in the world at \$33.5 billion dollars.¹⁵⁶ Brazil has historically possessed the largest military force in LATAM and contributes more to

¹⁵⁶ Carina Solmirano and Sam Perlo-Freeman, *SIPRI Yearbook 2013: Is South America on the Brink of an Arms Race?* (Oxford: Oxford University Press on behalf of Stockholm International Peace Research Institute, 2013), <http://www.sipri.org/media/newsletter/essay/jan10>.

military spending than any other nation in Latin American nation. In 2007, Brazil's military expenditure was \$15 billion, and is now at \$34 billion.¹⁵⁷ Between 2004–2010, Brazil's military expenditure increased at an average rate of 6.9 percent.¹⁵⁸ In 2010, Brazil's military expenditure was \$33.5 billion USD, which is a 9 percent increase over 2009.¹⁵⁹ The only major cuts in defense spending include 2003 and 2011 where Presidents Lula da Silva and Rousseff, respectively cut spending to reallocate resources. In 2003, Lula cut the military budget as a part of the zero hunger program aimed at reducing the levels of poverty and inequality in Brazil.¹⁶⁰ As mentioned in Chapter II, although the level of poverty has decreased, it remains a socioeconomic issue. As the region's leading defense spender, Brazil experienced an 8.2 percent, or \$2.8 billion, cut in its military budget as part of efforts by President Rousseff to cool its economy and reduce inflation.¹⁶¹ This reduction in defense spending was also due to the decline in the overall GDP from 2011–2012, which was a direct result of global recession that sparked a price decline in commodities in the international market.

In 2011, many of the global powers also reduced military spending. According to SIPRI, "Six of the world's top military spenders—Brazil, France, Germany, India, the United Kingdom and the United States—made cuts in their military budgets in 2011, in most cases as part of attempts to reduce budget deficits."¹⁶² This shows that the

¹⁵⁷ International Institute for Strategic Studies, "Chapter 3: North America," *The Military Balance* 114, no. 1 (2014), 371.

¹⁵⁸ SIPRI Yearbook 2011, April 2011, *Armament, Disarmament, and International Security* (Oxford and New York: Oxford University Press on behalf of Stockholm International Peace Research Institute, 2012), <http://www.sipriyearbook.org/view/9780199695522/sipri-9780199695522-div1-39.xml#sipri-9780199695522-note-372>.

¹⁵⁹ Ibid.

¹⁶⁰ Ibid.

¹⁶¹ SIPRI Yearbook 2012, April 2012, *World Military Spending Levels Out After 13 Years of Increases, Says SIPRI* (Oxford and New York: Oxford University Press, 2012), <http://www.sipri.org/media/pressreleases/2012/17-april-2012-world-military-spending-levels-out-after-13-years-of-increases-says-sipri>.

¹⁶² Ibid.

international community was decreasing military spending because of the global market declines. The only significant exceptions were China and Russia, which had significant increases in military spending.¹⁶³

Although Brazil is the leading defense spender in LATAM, it does not spend as much as other regional competitors or global powers as a percentage of overall GDP. According to 2013 SIPRI database, Brazil spent 1.5 percent of its GDP on military expenditures, however Jane's reported the figure to be 1.2 percent in 2012 and 2013. Jane's also argues that defense spending is maintained below 1.5 percent to restrict "military funding as a way of maintaining civilian control over the armed forces - a reaction to the end of military dictatorship in 1985 - and the lack of external threats to the country's territorial integrity."¹⁶⁴ This statistic falls behind Colombia, Chile, Bolivia, and Uruguay that spent 3.3, 2.1, 2.0, and 1.6 percent respectively of overall GDP for military spending. As for the emerging BRIC nations, military spending as a percentage of GDP is 4.4, 2.5, and 2.1 percent for Russia, India, and China correspondingly. The U.S. spends 4.4 percent of its GDP on its military budget. If Brazil were building a comparable force to project hard power, its military spending should account for a much larger percentage of its overall GDP.¹⁶⁵

2. Brazil Defense Budget Breakdown

Brazil's defense budget is divided into four categories: personnel, maintenance, procurement and investment, and debt interest payments. The individual services (Navy, Army, and Air Force) further separate the first three categories. Figure one below shows a complete breakdown of resource allocation for defense spending in billions of Real in 2012. In 2008, personnel account approximately 79 percent of the overall military budget,

¹⁶³ Ibid.

¹⁶⁴ Matthew Smith, "IHS Jane's Navigating the Emerging Market: Brazil" (Emerging Markets Reports: *Jane's Industry Quarterly* 2014), 17.

¹⁶⁵ "SIPRI Yearbook 2013: Data by Country (Military Expenditure)," Oxford: Oxford University Press, 2013 on behalf of Stockholm International Peace Research Institute, <http://portal.sipri.org/publications/pages/expenditures/country-search>.

which was reduced to 68 percent in 2013.¹⁶⁶ This is the most common statistic used to discredit the argument that military spending has increased in Brazil. That said, however, pensions have a significant impact on the domestic market because the majority of service members are stationed within the borders of Brazil. These service members spend their income in Brazil's domestic market, which contributes to the overall GDP through corporate, sales, and income taxes.

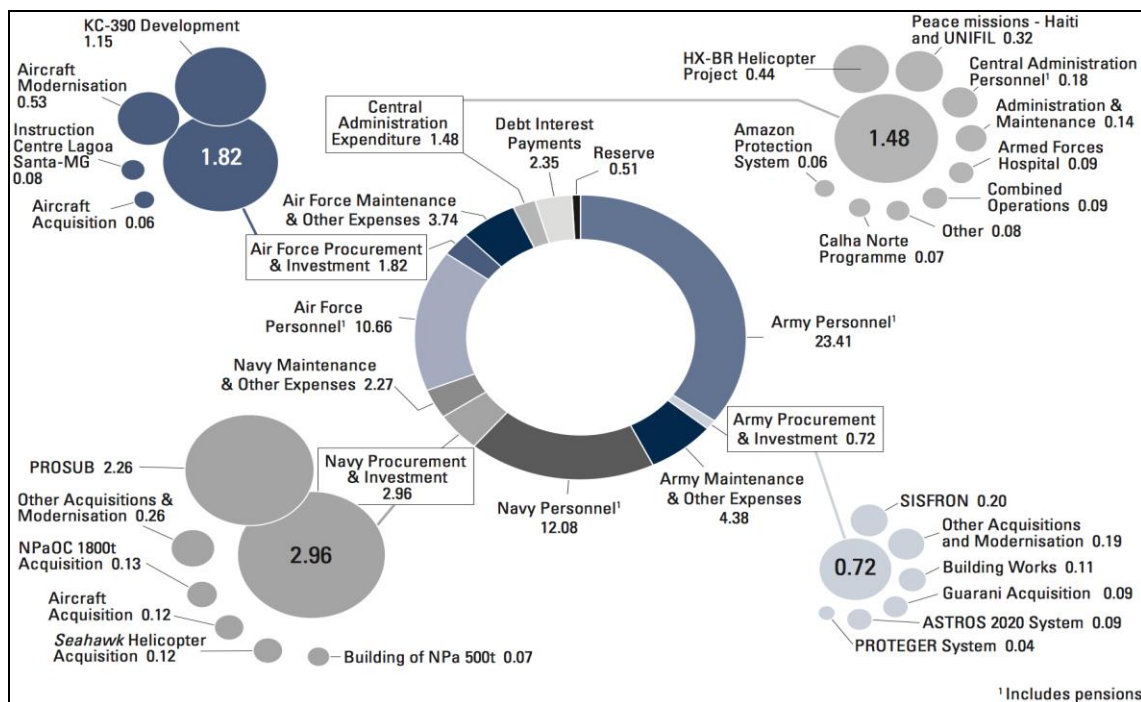


Figure 1. Brazil Defense Expenditure Breakdown¹⁶⁷

The Navy and Air Force are close in personnel spending, while the Army accounts for twice the spending of each of the aforementioned branches of service. This is because the Army has a significantly higher number of soldiers than the other branches. The maintenance and other expenses for each service are similar, and they account for just over 17 percent of the budget. The remaining 8 percent of the budget goes to procurement,

¹⁶⁶ International Institute for Strategic Studies, "Chapter 8: Latin America and the Caribbean," *The Military Balance* 113, no. 1 (2013), 427–428.

¹⁶⁷ *Ibid.*, 428.

investments, and debt interest payments. The economic growth over the last decade, as mentioned in Chapter II, has enabled Brazil to invest in technology to upgrade its force and capabilities through defense partnerships.

C. DEFENSE PARTNERSHIPS

As an emerging power, Brazil aims to build relationships with strategic partners that have technology. In this search, Brazil is working with the French defense ministry in hope of improving its conventional and creating its nuclear-powered submarine programs.¹⁶⁸ President Rousseff inaugurated a factory in 2013 that will make metal hull structures for four conventional diesel-electric Scorpene attack submarines and eventually a fifth nuclear reactor powered submarine developed in Brazil with French technology. This technology improvement has been funded and is in the development stages with an anticipated entry into service around 2023.¹⁶⁹ Currently, the five members of the UNSC have nuclear submarines, and Brazil anticipates that acquiring this technology will give it more recognition on the world stage as a viable addition to the permanent members of the council. In other words, Brazilian leadership believes that a nuclear submarine is its ticket to becoming a permanent member on the UNSC. Another reason for the acquisition of nuclear propelled submarines is to protect Brazil's economic interests. These interests are in the recently discovered off shore pre-salt reserves that contain oil, and the 95 percent of Brazilian international trade through commercial shipping.¹⁷⁰

The Brazilian Navy is also enhancing its surface fleet to add coastal defense and patrolling of the pre-salt reserves. According to Jane's, Brazil acquired six more patrol craft between 2009 and 2010, and it estimates production of 10 more ships after 2020.¹⁷¹ In addition, three Amazonas class frigates and two Macaé-class patrol craft have were received in Brazil in the last two years, but overall naval procurement has slowed due to the

¹⁶⁸ Matthew Smith, "IHS Jane's Navigating the Emerging Market: Brazil" (Emerging Markets Reports: *Jane's Industry Quarterly*, 2014), 423.

¹⁶⁹ Ibid.

¹⁷⁰ Wiesebron, *Blue Amazon: Thinking the Defense of Brazilian Maritime Territory*, 106.

¹⁷¹ Smith, "IHS Jane's Navigating the Emerging Market: Brazil," 15.

current stagnating economy.¹⁷² This particular enhancement is primarily for brown water security rather than for power projection. On the other hand, Brazil also aims to replace its non-operational aircraft carrier. Jane's reports that the project and costs are merely speculative and that the projected service date is approximately 2040.¹⁷³ Brazil may aspire to build an aircraft carrier, but not in the near future.

The Brazilian Air Force (FAB) is also seeking to improve its outdated aircraft with new technology. In May 2011, Saab opened the Swedish–Brazilian Centre of Research and Innovation in São Bernardo de Campo, aimed at strengthening Brazil's domestic research sector.¹⁷⁴ Brazil and Saab agreed on a \$4.5 billion contract to Saab in December of 2013 to replace its aging fleet of fighter jets and gain the aviation technology transfer for future development. This deal preempted a deal previously on track with the United States through Boeing, and it coincidentally happened after news of U.S. spying on Brazilians was exposed by the Edward Snowden leaks. However, Jane's reported, "The Gripen bid was valued at USD 4.5 billion, compared with the Dassault offer of \$8 billion, and Boeing's \$7.5 billion package."¹⁷⁵ This shows that one of the clear reasons for choosing Saab was the cheaper cost of production. The contract with Saab will supply Brazil's air force with 36 new Gripen NG fighters by 2020. Aside from the cost of the jets themselves, the agreement is expected to generate billions of additional dollars in future supply and service contracts. The future revenue that Brazil hopes to generate is through using its previous history of ISI where it imports the technology and equipment to eventually manufacture domestically. This technology transfer is what Brazil is currently focusing on to enhance its internal production capacity of combat aircraft. The technology transfer also coincides with the National Strategy of Defense, which states that

according to the second model, a fifth-generation jet fighter would be purchased in a negotiation involving the full transfer of technology, including the aircraft's design and manufacturing technologies, and their

¹⁷² Lisbon Victor Barreira, *Internal Defense Digest: Brazil Inches Closer Towards Naval Ambitions* Jane's Intelligence Review, 2013.

¹⁷³ Smith, "IHS Jane's Navigating the Emerging Market: Brazil," 16.

¹⁷⁴ International Institute for Strategic Studies, "Chapter 3: North America," 422.

¹⁷⁵ Smith, "IHS Jane's Navigating the Emerging Market: Brazil," 15.

relevant “source-codes.” The purchase would be made at the minimum necessary scale allowing the full transfer of these technologies. A Brazilian company starts producing a substitute for that purchased aircraft, under the guidance of the Brazilian State, authorized by prior negotiation with the selling country and company. The solution in focus would occur in a sequence, and not concurrently.¹⁷⁶

Brazil is also working with Denel, a South African defense contractor, to build an air-to-air missile to outfit its future Gripen aircraft. This deal, worth about \$672,000 USD, was brokered in 2007 with an anticipated delivery for 2013. So far, no unclassified data sources show if this technology has reached Brazil. Brazil and South Africa also collaborated on a missile-building factory for the A-Darter 5th generation air-to-air missile, in the Sao Jose dos Campos industrial park, and aim to expand this partnership to other defense related areas.¹⁷⁷ Additionally, the European missile house Matra BAe Dynamics (MBD) worked with Brazil to transfer technology on the Block I MM40 Exocet renovation and maintenance program, which had a successful test fire in 2012.¹⁷⁸ These enhancements in missile technology and combat aircraft allow Brazil to build hard power capabilities and partnerships for the transfer of technology to expand its research and development in the defense industry.

D. FORCE PROJECTION

Brazil’s national defense strategy has three main guiding principles: sea denial, sea control, and power projection.¹⁷⁹ President Lula and Defense Minister Nelson Jobim argued that these three principles have the following objectives:

- a) Proactive defense of the oil platforms; b) Proactive defense of naval and port facilities, archipelagos and oceanic islands located within the Brazilian jurisdictional waters; c) Promptness to respond to any threat against sea lanes of trade, by States, or by non-conventional or criminal forces; d) Capacity to join international peacekeeping operations outside

¹⁷⁶ Jobim, *National Strategy of Defense: Peace and Security for Brazil*, 31.

¹⁷⁷ International Institute for Strategic Studies, “Chapter 3: North America,” 423.

¹⁷⁸ Ibid. MBD is a British defense firm that specializes in the production and enhancement of UAVs and missiles.

¹⁷⁹ Jobim, *National Strategy of Defense: Peace and Security for Brazil*, 20.

of the territory and the Brazilian jurisdictional waters, under the aegis of the United Nations or other multilateral organizations in the region.¹⁸⁰

To achieve these objectives, Brazil is expanding its naval assets. For the purpose of this analysis, we will classify naval assets into three categories: submarine, patrol craft, and principle surface combatants. Currently, Brazil has four operational diesel submarines that are undergoing modifications and refurbishments.¹⁸¹ As previously mentioned, Brazil is using its trade partnerships to produce several additional ship types, including a nuclear submarine. Brazilian patrol craft include Corvettes, various patrol boats, and minesweepers. These ships are equipped with ant-submarine and surface weapon systems. Brazil has approximately 50 of these ships in its total inventory.¹⁸² As for principle surface combatant ships, the total inventory is 15 ships that include a non-operational aircraft carrier, a few destroyers, and several frigates.¹⁸³ To put into perspective, the United States is currently decommissioning its frigate fleet because of the obsolete technology of the aging class of ship. In this regard, Brazil severely lacks a capable anti-air ship to engage in its guiding principles. With the procurement of future fleet assets in submarines and patrol craft, Brazil is limited to coastal defense, and it will not achieve power projection or sea control in the foreseeable future. As for personnel, the Brazilian Navy employs approximately 59,000 in the fleet and 2,500 in its aviation community.¹⁸⁴ Brazilian naval assets can deploy approximately 60 to 70 tanks for a power project at full capacity, which means that its ability to project power is severely limited. Brands argues that the United States policing of international waters allows Brazil to focus more on coastal defense assets and free flow of its commercial trade.¹⁸⁵

¹⁸⁰ Ibid.

¹⁸¹ Smith, *IHS Jane's Navigating the Emerging Market: Brazil*, 8.

¹⁸² "Chapter 3: North America," 440.

¹⁸³ Ibid.

¹⁸⁴ Ibid.

¹⁸⁵ Brands, *Dilemmas of Brazilian Grand Strategy*, 10.

1. Land-Based Assets

Historically, the Brazilian Army is the strongest and largest branch of service in Brazil. There are 190,000 total personnel with approximately 70,000 comprised of conscripts.¹⁸⁶ The Army's capabilities include the number of tanks, reconnaissance vehicles, and aircraft. As of 2013, there are various models of tanks within the Brazilian Army, and the total amount is approximately 405 (main battle tanks and light tanks).¹⁸⁷ Woodland and forest cover about 67 percent of Brazil, which most likely explains the lack of attention in newer or more tanks in the region. Brazil also has just over 400 reconnaissance vehicles that are starting to see an upgrade in the last few years. In 2012, the Accelerated Growth Program allocated approximately \$320 million to the Army for its purchase of 40 amphibious Guaranis and 30 Astros 2020 MLRS.¹⁸⁸ The amphibious Guaranis is a troop transporter similar to the U.S. Strykers, and the Astros 2020 MLRS (artillery saturation rocket system) is a truck loaded out with a multiple launching rocket system. The Army's aircraft includes 31 attack helicopters and 44 transport helicopters, which 32 of the latter are being armed for scout, support, and attack roles.¹⁸⁹ The most recent addition to the Army aviation is the Hermes 450 provided by Israel, which is an unmanned aerial vehicle (UAV).¹⁹⁰ These UAVs are being employed for surveillance of counter-narcotic and drug trafficking in conjunction with the Integrated Border Monitoring System (SISFRON) over the Amazon.¹⁹¹

2. Air Force Assets

The Brazilian Air Force is slightly larger than the Navy for personnel, and its aircraft are completely outdated. The 2013 military balance shows that the Brazilian Air Force has approximately 69,500 personnel.¹⁹² There are about 234 combat aircraft in the

¹⁸⁶ Ibid., 339

¹⁸⁷ Smith, "IHS Jane's Navigating the Emerging Market: Brazil," 4.

¹⁸⁸ International Institute for Strategic Studies, "Chapter 3: North America," 427.

¹⁸⁹ Smith, "IHS Jane's Navigating the Emerging Market: Brazil," 4.

¹⁹⁰ Ibid., 42.

¹⁹¹ International Institute for Strategic Studies, "Chapter 3: North America," 426.

¹⁹² Ibid., 442.

inventory, and Brazil hopes to produce about 30 to 40 more planes by 2020 from its Saab partnership.¹⁹³ One of the primary reasons for the small number of aircraft is that Brazil has no direct military threat. The Air Force's primary focus is on training and surveillance of the Amazon region, which supports the Army and Federal Police in the fight against drug trafficking. Currently, the FAB is working on the United Nations Stabilization Mission in Haiti (MINUSTAH) supporting the United Nations effort. Further Brazilian influence vis-à-vis MINUSTAH will be assessed in Chapter IV.

3. Nuclear Technology

The Tlatelolco regime provides another example of how weak states use IOs to achieve liberal aims.¹⁹⁴ The Tlatelolco Treaty prohibits Latin American states from acquiring, possessing, developing, testing, or using nuclear weapons, and prohibits other countries from storing and deploying nuclear weapons on their territories. The Tlatelolco regime encompasses the majority of Latin America that became signatories of the treaty and promoted nuclear non-proliferation with the initial exceptions of Mexico and Cuba, which signed the treaty in the 1990s. Brazil initially signed the treaty, but did not ratify or adhere to it until 1994.¹⁹⁵ With nuclear proliferation on the rise during and after the Cuban Missile crisis (1962), the weaker Latin American states, unlike Brazil, needed protection against a nuclear threat. During the 1960s, a normative belief formed in Latin America for non-proliferation of nuclear weapons.¹⁹⁶ This normative belief left Latin American states with the option to remain under the nuclear umbrella of the United States, achieve individual nuclear status, or find means to promote non-proliferation. The consensus forming in LATAM for non-proliferation was against any possession or use of nuclear technology. The third option was to seek an alternative approach for non-proliferation. The

¹⁹³ Ibid.

¹⁹⁴ John R. Redick, "The Tlatelolco Regime and Nonproliferation in Latin America," *International Organization* 35, no. 1 (1981), 106–111. Redick defines the Tlatelolco regime as the states centered around nuclear nonproliferation in Latin America that established the Latin American nuclear-weapon-free zone. The Tlatelolco regime also established the Treaty of Tlatelolco (Treaty for the Prohibition of Nuclear Weapons in Latin America) in 1969.

¹⁹⁵ Sotomayor, *Brazil and Mexico in the Nonproliferation Regime: Common Structures and Divergent Trajectories in Latin America*, 86.

¹⁹⁶ Redick, *The Tlatelolco Regime and Nonproliferation in Latin America*, 110–111.

approach to promote non-proliferation was meant to create a legally binding means to prevent the use and distribution of nuclear weapons technology in Latin America through the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL). The Treaty of Tlatelolco (1968) established a nuclear-free zone in LATAM and imposed legal restrictions on the use and distribution of nuclear weapons technology from the major powers to Latin America.¹⁹⁷ This treaty, from a liberal perspective, was arguably a legalistic means to protect Latin America from a future nuclear threat because there was an increased consensus in support of non-proliferation in the region.

Brazil's nuclear project in the 1970s offers an example of a realist policy to gain power and influence as an emerging power. The origins of this policy can be found in the Cuban missile crisis, where the Western Hemisphere had a direct external nuclear threat to its security. So what explains the reason for Brazil furthering its nuclear capabilities without a viable external threat a decade later while the region focused on non-proliferation of nuclear weapons? With a regional consensus converging on denuclearization after the Treaty of Tlatelolco (1967), Brazil proceeded to promote nuclear non-proliferation while secretly gaining nuclear technology. The reasoning, from an offensive realist perspective, coincides with Steven David's hypothesis that "those in power will do what is necessary to stay in power."¹⁹⁸ Brazil desires to become a nuclear power in hope of gaining independent nuclear technology to earn a place among the world elite. This nuclear desire can also be attributed to relative isolation from the American nuclear umbrella as a means of gaining additional security against the major powers—a defensive realist notion. Ultimately, nuclear technology for Brazil would give them legitimacy among the great powers as a realist foreign policy strategy.

The reason for Brazil's initial rejection of the non-proliferation treaty and eventual concession goes back to the military regime (1964–85). Arturo Sotomayor argues, "Brazil's initial refusal to join the nonproliferation regime was not solely based on economic or

¹⁹⁷ Ibid., 106–107.

¹⁹⁸ Steven R. David, "Explaining Third World Alignment," *World Politics* 43, no. 2 (1991), 235–236.

technical grounds, but on military motivations.”¹⁹⁹ The military motivations can be found in the regimes covert commitment to developing a nuclear weapon. In 1985, Brazil also opened its first nuclear plant. After Brazil gained nuclear power for energy, the military wanted to further the research in hope of gaining weapons grade uranium enrichment. The reasoning for Brazil joining the non-proliferation regime in 1994 is based on the democratization process and the diminished military power over foreign policy.²⁰⁰ With the military returning to the barracks, the President Collor initiated the civilian control of nuclear technology. With no viable threats, Brazil signed onto the non-proliferation treaty to ensure civilian oversight with the nuclear technology and reduced the power of the military.

Brazil’s desire for enriched uranium remains a priority to fuel its future nuclear submarine. The World Nuclear association argues that most western submarines require greater than 20 percent enriched uranium, and the newer French technology fuels its fleet with 7.5 percent.²⁰¹ Either way, Brazil is working with the French to transfer technology to build a nuclear capable submarine. Its lack of transparency in regard to nuclear technology raises the question of how capable Brazil is in the enrichment process, and where will it stop. The addition of a nuclear submarine will not give Brazil added power, but the highly enriched uranium process would.

E. CAPABILITIES COMPARED TO LATIN AMERICA

Brazil is the largest defense spender in LATAM. The 2014 Military Balance assesses that Colombia (9.9 percent), Mexico (8.2 percent), and Venezuela (7.2 percent) are the three largest players with Brazil (49 percent) in total defense spending across LATAM. When comparing Colombia, Mexico, and Venezuela to Brazil, military spending as a

¹⁹⁹ Sotomayor, *Brazil and Mexico in the Nonproliferation Regime: Common Structures and Divergent Trajectories in Latin America*, 16.

²⁰⁰ Ibid., 17.

²⁰¹ “Nuclear Powered Ships,” World Nuclear Association, <http://www.world-nuclear.org/info/Non-Power-Nuclear-Applications/Transport/Nuclear-Powered-Ships/>. The World Nuclear Association is the international organization that promotes nuclear energy and supports the many companies that comprise the global nuclear industry. It provides information on nuclear power, coordinates industry cooperation, and represents the nuclear industry in the IAEA, NEA, and UN.

percentage of overall GDP is 2.1, 0.5, and 0.98 percent respectively. Comparatively, Brazil spends more than Colombia, but less than Mexico and Venezuela according to the percentage of GDP allocated to military spending. As for number of total personnel, Brazil stands as an unmatched power in LATAM. For the Navy, Brazil has just over 10,000 more personnel employed than the other nations—Colombia at 46,000, and Mexico at 58,000. For the Army, Brazil (190,000) has slightly fewer personnel than Colombia with 221,000 and Mexico with 200,000. This is not much of an issue for Brazil as it can theoretically mobilize a reserve force of 1.3 million personnel. For the Air Force, Brazil has approximately 50,000 more personnel than the largest forces in LATAM (Colombia 14,000 and Mexico 12,000).

1. Military Assets of Latin America

As the largest military force, Brazil also has superior capabilities. The Colombian Navy has a comparable number of patrol craft and submarines, but Brazil has three times the amount of surface combatants. The Colombian Army has a comparable number of reconnaissance vehicles, but it does not have any tanks in service. The Colombian Air Force also has a third the number of combat aircraft as the FAB.

Mexico has more than twice the fleet of patrol craft of Brazil, but it also has half the amount of surface combatants. The Mexican Army also lacks tanks, and focuses its assets in reconnaissance and armored personnel carriers—which is significantly less than Brazil. The Mexican Air Force, similar to Colombia, has a third of the number of combat aircraft when compared to Brazil.

Venezuela has the smallest fleet out of the countries assessed. The Venezuelan Army is the largest competitor in LATAM to Brazil with 282 tanks. The Venezuelan Air Force is larger than Colombia and Mexico, but its 95 combat aircraft is still more than half the size of the FAB.

Argentina is the closest competitor to the Brazilian Navy with four less surface combatants. The Argentine Army has approximately 336 tanks, which makes it the largest competitor on the ground. The Argentine Air Force is similar to the rest of LATAM, and its 100 combat aircraft are no match for the FAB.

For hard power capabilities and defense expenditure, Brazil stands far superior to the rest of LATAM. To match the capabilities of Brazil, the other Latin American nations would require alliances. Since LATAM has been relatively absent from global conflicts and total war in South America, the states have not experienced a direct international threat to build massive militaries like the United States, Russia, China, or the European nations. Brazil has gained enough military strength to counter any of its regional competitors, which is why it is still a middle or regional power at best—militarily speaking in terms of hard power.

F. CAPABILITIES COMPARED TO BRIC

In 2013, Russia's GDP was \$2.21 trillion, and its defense expenditure was \$68.2 billion. The major difference in defense spending is that Russia uses nearly half of its budget on the State Armaments Programme—a procurement of arms program through the state-owned defense industry.²⁰² This shows that its foreign policy is based on increasing its hard power capabilities, and not just paying its service members like Brazil. The Russian Navy is far superior to that of Brazil. The Russian Navy has almost twice the number of personnel (130,000), eight times the submarine fleet (64), and twice the surface combatants (33). The Russian Army has 2,550 tanks and the ability to transport up to 243—if all amphibious ships were deployed.²⁰³ Its personnel, including Army and Airborne at 285,000, account for almost 100,000 more troops than Brazil. Brazil does not have a comparable tank inventory in Russia, but it does have an equal force within its own border based on the amount Russia could deploy in a conflict. The Russian Air Force has 1389 combat aircraft and 150,000 personnel, which is far superior to the Brazilian Air Force. When compared to Russia, Brazil has a long time before it can possess comparable capabilities.²⁰⁴

²⁰² International Institute for Strategic Studies, "Chapter 5: Russia and Eurasia," *The Military Balance* 114, no. 1 (2013), 163.

²⁰³ *Ibid.*, 181, 184.

²⁰⁴ *Ibid.*, 181–182.

1. India

In 2013, Brazil was equivalent to India in economic growth and defense spending. India's GDP was 1.97 trillion, and its defense spending was estimated at \$36 billion. India, similar to Russia, has a much larger military than Brazil. India's Army at 1.1 million personnel and almost 2900 tanks is far from comparable to Brazil. The Indian Navy has 58,350 personnel, 14 submarines, and 25 surface combatants. India's Air Force has 127,000 personnel and 866 combat aircraft, which is also no match for the Brazilian Air Force. The Indian military is extremely large in numbers to counter its regional competition with Pakistan, Russia, and China. Its ability to project its military limits its Army to deploying 63 tanks if all of its capable ships are loaded out simultaneously. This ability to deploy tanks is strikingly similar to Brazil's capability.²⁰⁵

2. China

China is the richest and strongest member of the BRIC nations. In 2013, China's GDP was \$9 trillion, and its defense expenditure was approximately \$146 billion. This puts the GDP and defense spending just over four times that of Brazil. The Chinese military is also unmatched on all fronts when compared to Brazil. The Chinese Navy has 235,000 personnel, 70 submarines, and 70 surface combatants. Its Navy also has the ability to transfer approximately 300 tanks if all transport vessels are loaded out simultaneously. The Chinese Army has 1.6 million personnel and about 6800 tanks in its inventory. The Chinese Air Force has 398,000 personnel and 2200 combat aircraft. These capabilities give China the hard power capabilities of a regional power and a significant force as a global competitor to the United States. It would take Brazil years to produce a military of this size, even if it had an incentive to do so.²⁰⁶

This chapter showed that Brazil is far from surpassing the military capabilities of the United States, China, Russia, and India. Brazil is slowly acquiring assets and technology, and it is increasing defense spending to give the perception of becoming a

²⁰⁵ International Institute for Strategic Studies, "Chapter 6: Asia," *The Military Balance 114*, no. 1 (2014), 241–245.

²⁰⁶ *Ibid.*, 232–236.

comparable global power—as it remains a middle power in terms of its military strength. Its defense spending does not match up with the ambitions outlined in Brazilian foreign policy and the national security strategy. To build beyond the basic security forces in each branch service requires far more allocation of resources rather than spending close to 70 percent of funding on personnel. Technology and future military assets will continue to be a pipedream if military expenditure does not undergo reform, and the stagnating economy will only present further challenges to acquiring these capabilities. For Brazil to achieve global power status, it would need approximately four times the military assets (including personnel), weapons grade nuclear technology, and stronger defense partnerships to allow for the development of its hard power capabilities. Since Brazil has the economic capacity but lacks the military capabilities for consideration as a global power, the final chapter assessed its soft power capabilities to determine its status in the international community.

IV. BRAZILIAN SOFT POWER PROJECTION

Brazil is the most active Latin American country to exercise foreign policy outside of the region. With an active role in the UN, IMF, World Bank, peacekeeping operations, and various other international organizations, Brazil has a unique ability to project soft power as a global player. This ability to use soft power sets Brazil up as a global power despite its lack of military capabilities.

This chapter will focus on soft power diplomacy and international influence measured through Brazil's role in IOs, peacekeeping operations, trade, and cultural influence. These four aspects of international relations are indicators of exerting political and economic influence beyond the state and region. The four sections of this chapter aim to explain Brazil's foreign policy in terms of liberalism and realism. The first section will provide an analysis of these two schools of thought in international relations that will provide the framework for assessing Brazil's global power status vis-à-vis soft power. The second section assesses Brazil's role in international organizations and participation in the IMF, World Bank, OAS, Unasur, and the UN. The third section will provide a brief history of Brazil's peacekeeping involvement and its current operation in the United Nations Mission in Haiti (MINUSTAH). The final section will assess trade among the emerging blocs and Brazil's role, and will explain its level of regional and global influence vis-à-vis Mercosur.

A. INTERNATIONAL RELATIONS FRAMEWORK

Liberalism and realism are used in international relations to explain the how and why a state behaves in a particular way. John Mearsheimer argues that realism is the pessimistic view, and liberalism is the optimistic view.²⁰⁷ This section's argument is that realism explains a state's tendency for offensive or defensive behavior in relation to conflict within an anarchic world, and liberalism tends to explain why states do not resort to conflict. The first section will focus on the assumptions of offensive realism, the second on defensive realism, and the third on liberalism.

²⁰⁷ Mearsheimer, *The Tragedy of Great Power Politics*, 15–17.

1. Offensive Realism

Some of the basic assumptions of realism are that the international realm is anarchic, states are the central actor, and power is achieved through capabilities.²⁰⁸ As an offensive realist, Niccolo Machiavelli argues that the ends justify the means.²⁰⁹ Therefore, what constitutes ‘the right’ must derive from the interests of the state, and how the state justifies its existence is the important thing. With power and fear, a state can determine what is right. Some of the basic assumptions of realism are that the international realm is anarchic, states are the central actor, and power is achieved through capabilities. In Machiavelli’s world, states will continue to seek power and tend toward expansionist practices. Fear is also used to gain legitimacy similar to how a child obeys rules for fear of getting physically punished. The downside of realism in international relations is that is ruthless and amoral, and it does not explain why certain countries maintain peace—hence liberalism. If a state has the absolute power, for example the U.S., it is not accountable to anyone and can dictate how the international community works.

2. Defensive Realism

As a defensive realist, Kenneth Waltz argues that states seek power and capabilities in order to ensure survival.²¹⁰ This theoretical approach assumes that the international realm is anarchic, and states are the primary actor; however, this approach typically leads to security dilemmas or arms races. A security dilemma is when one state increases its security, its neighbors view it as a threat, and that state increases its security. An example of defensive realism is that country A gains 100 new tanks and country B only has 60 tanks. This increase in country A’s capabilities is a threat to country B. Therefore, country B decides to build 50 more tanks to ensure their own security and survival. Thus, Brazil’s foreign policy is driven by defensive realism as one of the most economically advanced and emerging powers. This is evident in the justification for increased military capabilities

²⁰⁸ Kenneth N. Waltz, *Theory of International Politics* (Reading, MA.: Addison-Wesley, 1979), 79, 106.

²⁰⁹ Niccolo Machiavelli, “Doing Evil in Order To Do Good,” in *The Prince* (Modern Library, 1950), 64.

²¹⁰ Kenneth Waltz, “The Anarchic Structure of World Politics,” in *Theory of International Politics* 79–106 (New York, McGraw-Hill), 34.

and technology in the National Strategy of Defense for the protection and defense of off shore oil reserves/platforms, the Amazon, and border security.²¹¹ Brazil's primary international relations revolve around a strong military force vis-à-vis internal and regional security cooperation.

3. Liberalism

The basic assumptions of liberalism are used to explain the process in which states use peaceful means to avoid conflict, and how individual values and morals explain their intent in international relations. Liberalism works on the basis that states are not the only important actor, and they continually seek cooperation, economic integration, and international organizations to co-exist. Subsequently, Bruce Russett argues that the Kantian triangle explains how peace is achieved through economic integration, democracy, and international organizations.²¹² Through these three tenets, states become economically driven with the intention of interdependence. State's economies, interests, and security become intertwined through respective international organizations (International Monetary Fund, United Nations, and International Courts of Justice) thus removing anarchy and the need for war to resolve conflict. In the Kantian triangle, states will increase one of the three tenets (economic integration, democracy, or role in international organizations) to increase the peace. The downside to liberalism and the Kantian triangle is that they are idealistic, irrelevant in the time of conflict, and ultimately lead to more conflict because of a lack of legitimacy in international organizations for dispute settlement. From a liberal perspective, conflict is not in the best interest of a state because peace and economic prosperity can be achieved through cooperation where both parties benefit more; they give up relative power, and both sides gain more absolute power together. Consequently, all states use peaceful relations and trade to increase wealth.

Overall, realism and liberalism share a few similar characteristics (power, anarchy, economics, states, cooperation), but they contrast on their intentions and importance of

²¹¹ Jobim, *National Strategy of Defense: Peace and Security for Brazil*, 21–29.

²¹² Russett and Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations*, 35–36.

each of these characteristics. Realism explains how states seek power, cooperation, and economics to ensure survival, expand, or deal with a viable threat in an anarchic world. Offensive realism explains how or why absolute power in the international system is desired, and how this power translates into setting the rules of the environment. For offensive realism, might makes right in the international system. Defensive realism explains a state's foreign policy in terms of internal security, and it often leads to a security dilemma. Liberalism explains how states seek cooperation, economics, and power to co-exist in a structured international society through international organizations. Realism often determines a state's actions or foreign policy during conflict, and liberalism focuses on avoidance of conflict and perpetual peace through the characteristics in the Kantian triangle.

B. ROLE IN INTERNATIONAL ORGANIZATIONS

This section expounds on Brazil's role in the IMF, World Bank, and WTO during its development as a consolidated democracy. The last section shows that Brazil's economic achievements have translated into a development model throughout Africa. This section is important to understand the global reach of Brazil in the international community beyond the Latin American region.

1. IMF

The global financial crisis in 2008 sparked a change in the international community. The G-8 expanded into the G-20, which is composed of the world's leading economic powers. The G-20 accounts for approximately 80 percent of world trade and two-thirds of the global population. With Brazil, India and China being relatively unaffected by the global financial crises, Harold Trinkunas argues that each of these countries gained additional support and voice within the IMF.²¹³ Additionally, Brazil's ability to shift from borrower status to guarantor of loans within the IMF and its increased credit worthiness enabled a growing voting weight on the executive board. According to the IMF, the percentage of voting share puts none of the BRIC members in the top five: U.S. holds

²¹³ Harold Trinkunas, "Brazil's Rise," (working paper, Washington DC: Brookings Institute, 2014), 19.

16.75, China 3.65, Russia 2.39, India 2.34, and Brazil 1.74 percent of the voting share. Although Brazil is gaining additional voting presence in the IMF, it globally ranks 14th with almost a comparable share to Mexico, which holds 1.47 percent of the vote. Brazil's overall role in the IMF is merely a sign of its middle power status as it has half of the votes allocated to each of the top five vote holders: U.S., Japan, Germany, France, and the United Kingdom.²¹⁴

2. World Bank

Brazil's role in the World Bank is similar to the IMF. The major difference between the IMF and World Bank is that China holds a spot in the top five voting stakeholders. Brazil did increase its voting share approximately .25 percent in 2010; however, that figure remains close to half the amount of overall votes compared to the top five voting shareholders. According to Trinkunas, "Its [Brazil's] national development bank, BNDES, is a very significant player in both internal and regional development, with a total lending volume three times that of the World Bank in 2011."²¹⁵ As Brainard and Martinez-Diaz note, BNDES increased outward foreign direct investment from \$69 to \$112 billion between 2001 and 2005, and its primary investors were Petrobras (oil company) and Vale (mining company).²¹⁶ BNDES has also turned toward increasing the overall credit volume aimed at companies willing to invest in Africa. Stolte points out that this credit limit was worth \$146 million in 2007 and topped out at \$766 million in 2009, which were aimed at improving construction and engineering of African industry and agriculture.²¹⁷ The investments in the World Bank and credit from BNDES toward Africa are just an example of Brazil's ability to project influence in the global arena.

²¹⁴ "IMF Members Quotas and Voting Power, and IMF Board of Governor," International Monetary Fund, <http://www.imf.org/external/np/sec/memdir/members.aspx>.

²¹⁵ Trinkunas, "Brazil's Rise," 10.

²¹⁶ Brainard and Martinez-Diaz, *Brazil as an Economic Superpower? Understanding Brazil's Changing Role in the Global Economy*, Kindle edition, Loc. 1900.

²¹⁷ Stolte, "Brazil in Africa: Just another BRICS Country Seeking Resources?" 7.

3. World Trade Organization

Another example of Brazil's global influence is in the WTO with the ability to exercise dispute settlements. Brazil was a complainant in 25, a respondent in 14, and a third party in 64 cases from 1995–2011, where retaliatory measures were authorized in two cases.²¹⁸ For example, the U.S. was forced to pay cotton subsidies to Brazilian farmers, and Canada was forced to pay aircraft export subsidies after dispute settlements went in favor of Brazil. The ability to use the WTO and the laws governing the global economy are just one example of Brazil's ability to project soft power against a world power.

4. Development Model

With Brazil's increasing role in international organizations, it has further legitimized its leadership on global issues such as poverty, health, and energy. Stolte argues that Brazil used its history as a 'developing turned emerging' power to demonstrate to its African partners that it understands the challenges and problems associated with development. Therefore, Brazil feels it knows better than any other state to overcome state hardship through its successful models of developmental aid acquisition and utilization, social programs, and poverty reduction programs. Brazilian Enterprise for Agricultural Research (EMBRAPA) is a state-owned company affiliated with the Ministry of Agriculture that opened an African office in 2008. EMBRAPA provides technical assistance and agricultural know-how to improve farming as a grassroots means of fighting against hunger and poverty. A speech from José Graziano da Silva, the director general of the UN's Food and Agriculture Organization, stated that "the number of new technical co-operation projects initiated by Brazil rose from 23 in 2003 to 413 in 2009."²¹⁹ This cooperation aims to enhance every aspect of agriculture from seeds, planting, and post-harvest techniques to shift Africa from being a net importer to an agricultural power similar

²¹⁸ Mahrukh Doctor, "Brazil's New Government and Trade: An Evaluation of Policy and Performance," *Critical Sociology* 38, no. 6 (November 1, 2012), 801.

²¹⁹ Lidia Cabral, "Africa: Investing in African Agriculture - what's in it for Brazil?" All Africa Institute of Development Studies (blog), <http://allafrica.com/stories/201309101249.html?page=2>.

to Brazil.²²⁰ Additionally, Brazil counseled its African partners on the successful implementation of social programs such as Bolsa Família and Zero Hunger program.

This Brazil-African relationship goes beyond agriculture and social programs. This relationship maintains a strong health component, especially as it pertains to a mutual problem for both regions with HIV/AIDS prevention. Brazil has 53 bilateral agreements on health topics with 22 African countries, and it has made efforts to establish national institutes of health.²²¹ An HIV/AIDS pharmaceutical factory was also established in Lusophone, Africa, aimed at implementing education and prevention campaigns similar to those in Brazil, which included nationwide distribution of condoms, HIV testing, and AIDS treatment. In short, Brazil's role in Africa is an example of standardizing a development model for the third world nations. Brazil has provided assistance to alleviate some of the similar barriers it experienced during its emerging and developing stages without pushing Brazilian foreign policy on Africa. There is little doubt that Brazil has secured itself as a leading economic power in the global arena, and it is in the beginning stages of spreading its influence outside of the Latin American region.

C. SECURITY ORGANIZATIONS

This section expounds on the role of Brazil in security organizations. The first section describes Brazil's role in the Organization of American States and how this organization is not achieving any results. The ineffectiveness of the OAS shows that Brazil is distancing itself from the organization as a means to create other security cooperation avenues in Latin America. The second section assess Brazil's role in UNASUR and CELAC as alternatives to the OAS, but these organizations are fairly new and have not been tested as a global or regional security agreement. The final section assesses Brazil's role in the United Nations and its desire to become a permanent member of the Security Council.

²²⁰ Stolte, "Brazil in Africa: Just another BRICS Country Seeking Resources?" 12.

²²¹ Ibid., 12–13.

1. Organization of American States

Many of the Latin American countries lack the material capabilities to fight major conflicts to settle disputes. These countries instead kept to a liberal approach and utilized institutions as a legalistic means to settle disputes—an attempt for peace through international organizations. Dispute settlements were taken to the UN International Court of Justice (ICJ) in countries like Nicaragua, Ecuador, and El Salvador. These three countries assumed a liberal approach to dispute settlement because they exhausted all other means or were not capable of exerting power over each other to establish their territorial claims and sovereignty.²²²

These small states (Nicaragua, Ecuador, and El Salvador) wanted recognition for what they believed was their territorial claim, but without having the material capabilities, the options were slim. The first option would be to ask the U.S. to intervene, another would be to use physical force to take control of the territory, and the last would be to turn to international or regional organizations to make a determination. According to Carolyn Shaw, the Organization of American States (OAS) is a Latin American-based forum created to prevent disagreements between states and extra-hemispheric intervention.²²³ A unified LATAM through international organizations, similar to the OAS, was able to settle 26 conflicts peacefully between 1948 and 1989 without U.S. involvement.²²⁴ Nicaragua, Ecuador, and El Salvador were unable to settle their disputes using IO and RO. These countries needed a forum with more judicial and legitimate power for enforcement—hence they used the ICJ. This institution's legalistic nature for dispute settlement was viewed as legitimate and shows how weaker states choose judicial means vice conflict because of the recognized legitimacy it brings to the international realm—a liberal approach to foreign policy.

The major issue with the OAS is the exertion of U.S. hegemony and the ineffectiveness of the organization. The major purpose of the OAS was to promote

²²² Carolyn M. Shaw, *Cooperation, Conflict and Consensus in the Organization of American States* (Palgrave, Germany: MacMillan Press, 2004), 59–60.

²²³ Ibid.

²²⁴ Ibid.

democracy and strengthen the peace and security of the continent. To promote democracy, the OAS provide election monitors to ensure free and fair elections, and it condemns those states in violation as well as any other democracies that are overthrown by force. The major issue is that election monitors must be requested, and most states don't want to be condemned in the international community for being a fraudulent democracy.

International election monitoring (IEM) is an international norm that started in LATAM, reinforced territorial sovereignty, and allowed for a colloquial transition to democratization in the region, which was first introduced through the OAS. Arturo Santa-Cruz defines IEM as the practice of inviting third party organizations such as non-governmental, international non-governmental and intergovernmental organizations to assess a state's election process.²²⁵ Since IEM did not arise until the 1960s, the 1948 OAS charter signed in Bogotá was one of the first attempts at instilling sovereignty, democracy, and integration in LA.²²⁶ In this case, sovereignty is freedom from external control, democracy results from free and fair elections, and integration is through OAS membership. The 1959 Declaration of Santiago established that the American republics result from free and fair elections, and an amendment from the OAS in 1985 added the promotion of democracy.²²⁷ The following are components of democracy: free and fair elections, citizens can vote, citizens can run for political office, competitive election process, politicians held accountable for decisions, politicians have free access to media, and no reserved domains exist (no political figures with special rights).²²⁸ Therefore, competition is the basis for democratic elections, and IEM is the means to constrain the competition through monitoring the aforementioned elements of democracy.

The examples of where the norm of IEM emerged and transformed to an international regime are seen in Costa Rica, the Dominican Republic, and Nicaragua. Shortly after a coup overthrew the authoritarian regime and instituted democratic reforms,

²²⁵ Arturo Santa-Cruz, "Constitutional Structures, Sovereignty, and the Emergence of Norms: The Case of International Election Monitoring," *International Organization* 59, no. 3 (2005) 663.

²²⁶ *Ibid.*, 676.

²²⁷ *Ibid.*, 676, 680.

²²⁸ Arturo C. Sotomayor, "The OAS and Electoral Monitoring" (Lecture, Naval Postgraduate School, Monterey, CA, February 14, 2013).

Costa Rica was the preliminary government to use IEM in 1962 when it requested the OAS election monitors.²²⁹ As a democratizing state, Costa Rica invited electoral observance from a non-biased party to reinforce its sovereignty and ensure a free and fair election.²³⁰ Although the OAS only assists and intervenes in sovereign states, its foundation rests in reinforcing territorial sovereignty and democracy. Therefore, Costa Rica's invitation to the OAS set precedence for an authoritative and legitimized institution to monitor the democratic process—thus legitimizing sovereignty and democracy during democratization. Subsequently, the OAS denied the Dominican Republic observers for elections in 1960 because it had not fully democratized; however, upon instilling its democratic reform in 1961 as an emerging democratic state, the OAS recognized the government's authority and sent observers.²³¹ As a result, IEM reinforced the Dominican Republic's sovereignty and gained international recognition. In addition, Honduras and Nicaragua also invited the OAS to observe elections the following year. As free and fair elections are now a necessary component of democracy, IEM is the international norm from LA that created a check and balance system for the election process in democratic states. In the 1980s, Jimmy Carter's administration founded the Carter Center and similar INGOs emerged as a result of Latin America's success with IEM—a second wave of IEM.²³² In 1990, over 2500 observers from 200 IEM organizations monitored the elections in Nicaragua. Subsequently, this Latin American-based norm enhanced IEM as an international regime, institutionalized a monitoring process during the third wave of democracy, and legitimized the democratic election process.²³³ Overall, the OAS has been used for dispute settlements, election monitoring, and to promote democracy, but Latin America views it as just another extension of the United States hegemony in the region. Consequently, Brazil has historically desired an alternative to the OAS to exert its hegemony in the region.

²²⁹ Santa-Cruz, "International Election Monitoring," 677.

²³⁰ Ibid.

²³¹ Ibid.

²³² Ibid., 663.

²³³ Ibid., 676.

As an alternative to the OAS, Brazil has created both the Union of South American Nations (UNASUR) and the South American Defense Council (CSD). Brands notes, “the CSD is a still-nascent project that may eventually lead to more military-to-military contacts, more combined exercises, more collaboration on drug trafficking and other common threats, and less U.S. influence in South American defense affairs.”²³⁴

2. Union of South American Nations

Brazil has exerted its hegemonic influence in the Latin American region vis-à-vis UNASUR, but this regional organization lacks international acceptance in the global arena. UNASUR and the Community of Latin American and Caribbean Nations (CELAC) are intergovernmental organizations aimed at South American integration with the first linking Mercosur and the Andean Community of Nations, and the latter supporting regional integration with the inclusion of the Caribbean states. Both organizations exclude the United States, Canada, and other states under sovereign control of a non-Latin American nation.

Brazil initiated UNASUR and CELAC as a means to exclude the U.S., Mexico, Canada, and Central America and exert its influence in the Latin American region. Since 2008, Brazil has taken the leading role in dispute settlements on two occasions. The first was after a Colombian airstrike on a Revolutionary Armed Forces of Columbia encampment in Ecuador, and the second was during the 2009 coup in Honduras.²³⁵ Additionally, Venezuela has called on UNASUR to send its foreign ministers in hope of determining a viable solution to the increasing protests and violence since the fall of Hugo Chavez.²³⁶ UNASUR in this sense gives LATAM an alternative to OAS and direct United States’ influence in the region, while giving Brazil more power in the region. The downside to this organization as Trinkunas points out is that UNASUR lacks adequate funding and

²³⁴ Brands, *Dilemmas of Brazilian Grand Strategy*, 29.

²³⁵ Trinkunas, *Brazil's Rise*, 14.

²³⁶ “Unasur Delegation Begins Dialogue-contacts Next Week to Help With Venezuelan Situation,” MercoPress South Atlantic News Agency, <http://en.mercopress.com/2014/03/18/unasur-delegation-begins-dialogue-contacts-next-week-to-help-with-venezuelan-situation>.

previously established organizations provide the same services.²³⁷ For example, UNASUR and CELAC do not legally or politically replace MERCOSUR, OAS, or any other regional trade bloc; and the U.S., EU, and China still conduct trade relations through bilateral or unilateral agreements. UNASUR is shaping its organizational structure to mimic that of the EU with the South American Defense Council (CSD), the South American Council of Health (UNASUR-Health), the Council of Economy and Finance, and other specialized bodies, such the Electoral Council. For now, UNASUR and CELAC remain nothing more than organizations aimed at political cooperation according to post-liberal regionalism.²³⁸ Brazil will be able to exert its influence as a global power if it can continually lead UNASUR and CELAC and their associated ministries, effectively establish itself as a regionally integrated union for LATAM, and begins to deal directly with other regional or international organizations. Finally, UNASUR and CELAC offer little to the relevance of Brazil as a global power because these organizations lack operations of importance and relevance in the international arena, while continuing to focus on regional issues that existing organizations exist for. If Brazil were a global power, it would have complete dominance of any regional organization created in or for Latin America with the ability to exert these organizations internationally.

3. United Nations

Stephanie Neumann argues that because of anarchy, or lack of central government, “states must rely on their own capabilities to defend themselves.”²³⁹ During WWII, Brazil viewed the war as a means to gain power by increasing its influence over others and exercised finite cooperation with the U.S. to enhance its material capabilities.²⁴⁰ Brazil’s

²³⁷ Trinkunas, *Brazil’s Rise*, 14.

²³⁸ José Antonio Sanahuja, “Post-Liberal Regionalism in South America: The Case of UNASUR,” (2012), 13–15. José Antonio Sanahuja defines post liberal regionalism as a strategy emerging from the rejection of the “Open Regionalism” strategies of the nineties. This “post-liberal” strategy is also driven by the conscious search for greater autonomy on the international stage and in development policies, particularly in respect to the United States.

²³⁹ Stephanie G. Neuman, *International Relations Theory and the Third World* (New York: St. Martin’s Press, 1995), 10–13.

²⁴⁰ Robert L. Scheina, *Latin America’s Wars Volume II: The Age of the Professional Soldier, 1900-2001* (Potomac Books Inc., 2003), 164–165.

geographical location during WWII provided the U.S. with an ideal launching pad for planes, supplies, and forces into Africa—ultimately an ideal route to access Europe.²⁴¹ As a result, Brazil used this opportunity to receive economic and military aid to increase military strength. Another example of Brazil's power was to be one of the only Latin American countries to send troops to Europe during WWII.²⁴² With economic and military aid from the U.S., Brazil became industrialized, gained strength in the Southern Cone, and emerged as a military power in LATAM. Brazil's incentives to join in WWII and form an alliance with the U.S. were based on a realist motivation to increase material capabilities. Brazil ultimately distanced itself from the U.S. in the 1970s because of President Carter's human rights policy. This alliance was severed because Brazil saw itself as an emerging power and did not want the U.S. to intervene in Latin American cases of human rights violations. This anti-U.S. stance was merely a show of Brazil's influence and defiance of a great power when the military regime was at its strongest point.

The United Nations was founded on liberal ideology as a means for collective security and cooperation among the great powers after WWII. The continued U.S. involvement in the United Nations is based on realism and liberalism. The first section will focus on the realist argument, and the second section will turn toward the liberal argument. Based on David Carr's critique of liberal institutionalism and realism, it is impossible to seek morality of the world while pursuing the greatest good of the individual state and its citizens.

From a realist perspective, the U.S. continues involvement in the UN as an extension of its power and influence throughout the international community. The majority of the humanitarian and peacekeeping operations funding comes from the U.S. economy, which is arguably to alleviate the international burden of peace from the U.S. If the U.S. were the sole international security force, it would eventually fall victim to what Davide Fiammenghi calls imperial overstretch—expanding itself beyond its ability to expand or

²⁴¹ Ibid.

²⁴² Ibid.

maintain.²⁴³ The U.S. also continues to play the game within the UN; however, the U.S. still invaded Iraq without the support of the Security Council showing that the U.S. only cares about involvement in the UN when it suits its own self-interests. Brands points out that President Lula strongly advocated against any U.S. action in Iraq through the UN, and how military intervention should only be carried out if sanctioned by the Security Council.²⁴⁴ The U.S. also uses the UN to deal with issues that are irrelevant to the security of itself and its allies—i.e., human rights. As the U.S. continues to fight the global war on terrorism and spread democracy around the world, the UN is merely a tool to allow other states to feel as if they have a voice. The General Assembly is not even allowed to make recommendations to the Security Council in the event of disputes. The Security Council itself is made up of the five major powers and requires a minimum of 3 votes to pass any policy; however, three of these powers will always vote with the U.S. or abstain leaving the China and Russia with little ability to exude any power within the council. The downside to the realist perspective is that the U.S. should not need an international organization to exude its power and influence; however, the UN is merely an extension of U.S. power.

From a liberal perspective, the U.S. continues involvement in the UN as a means of cooperation and maintaining peace. According to the Kantian triangle, the use of international organizations, economic interdependence, and democracy together will lead to peace.²⁴⁵ The UN is organized to encompass each of these characteristics with the Security Council, Economic and Social Council, and the International Court of Justice (ICJ). The General Assembly and Security Council are admittance to the UN as an international organization, which bounds each member to a certain set of liberal perspectives. The Economic and Social Council are responsible for cooperation between states on economic and social fields to raise the general standard of living, solve economic, social and health problems, promotion of human rights, and humanitarian aid. The ICJ is used for dispute settlement and maintaining international law. The U.S. is able to make the largest impact

²⁴³ Davide Fiammenghi, "The Security Curve and the Structure of International Politics: A Neorealist Synthesis," *International Security* 35, no. 4 (2011), 147.

²⁴⁴ Brands, *Dilemmas of Brazilian Grand Strategy*, 19.

²⁴⁵ Russett and Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations*, 35–36.

on democratic states through the UN, and it alleviates two sides of the Kantian triangle that makes peace attainable through economics. The U.S. is also able to use the UN as an unbiased international organization to spread democracy and humanitarian assistance across the globe. Ultimately, the U.S. continues involvement in the UN to provide an organization to foster peace, cooperation, and interdependence.

Brazil's desire to become a permanent member of the UNSC is also part of a realist strategy in its foreign policy. A liberal would argue that IOs and regional organizations (ROs) are a tool of the weak, but Brazil's motivation for becoming a permanent member of the UNSC stays true to the realist paradigm. After WWII, Mexico and Brazil were invited to join the original UN Security Council for their involvement in the war. The UNSC has 5 permanent members that are arguably the major powers of the world and have nuclear technology. Brazil was elected as non-permanent member of UNSC 10 times since its creation—the most of any Latin American country. The UNSC is also an IO capable of enforcement and brings the major powers to a level playing ground. This is evident in the fact that a single power cannot control the outcomes of the UNSC and all governments represented have an equal vote and only a handful have veto power.

To facilitate a permanent position in the UNSC, Brazil is increasing its military capabilities. According to Hal Brands, Brazil “is not simply purchasing equipment, it is also negotiating agreements that will allow it to develop its military industrial base and eventually eliminate any dependence on foreign suppliers.”²⁴⁶ This coincides with Brazil's protectionist market strategies and use of import-substitution industrialization. Acquiring a nuclear submarine and the technology of advanced weaponry through strategic alliances is what Brazil views as its ticket to a permanent UNSC seat. In 2008, Brazil's Navy Chief of Staff argued, “those who have nuclear submarines sit on the United Nations Security Council.”²⁴⁷

If Brazil could secure a permanent seat, it would have international recognition as a major power—a realist motivation in foreign policy. This recognition would then gain

²⁴⁶ Brands, “Dilemmas of Brazilian Grand Strategy,” 14.

²⁴⁷ Ibid.

Brazil a considerable amount of legitimacy among the international community. The permanent seat at the UNSC can also be viewed as a form of balancing or opposing U.S. hegemonic influence to increase Brazil's influential power internationally. The quest for recognition as a global power and opposition to the U.S., are arguably Brazil's two reasons for its desire toward a permanent seat in the UNSC—a realistic form of foreign policy.²⁴⁸ As it continually strives toward the achievement of international influence through the UN, Brazil has the largest military presence and is leading the reconstruction efforts in the United Nations Mission in Haiti after the devastating 2010 earthquake.

D. TRADE

This section assess Brazil's role in the South American Common Market (MERCOSUR) and Brazil's trade partnerships. MERCOSUR as a regional trade bloc presents challenges to Brazil's desire for global power. This section shows that MERCOSUR limits Brazil's international trade agenda and hinders its emergence as a global economic power.

1. Mercosur

MERCOSUR was created as a Bolivarian ideal to counter U.S. hegemony in the global market. According to Arie Kacowicz, Bolivarianism is a regional belief of anti-American nationalism, and Mercosur is a trade bloc established in 1991 between Brazil, Argentina, Uruguay, and Paraguay.²⁴⁹ After the Cold War created a politically unstable international community, Peter Smith points out, "the U.S. emerged as one of the three major economic powers, and in 1990, the United States GDP was 33 times that of Argentina, 13 times that of Brazil, 23 times that of Mexico."²⁵⁰ Mercosur emerged as a trading bloc during the debt crisis surrounding this economic disparity, and it created a need for liberalization and economic integration.

²⁴⁸ Steven R. David, "Explaining Third World Alignment," *World Politics* 43, no. 2 (1991), 235–236.

²⁴⁹ Arie M. Kacowicz, *The Impact of Norms in International Society: The Latin American Experience 1881–2001* (Indiana: University of Notre Dame Press, 2005), 52, 67.

²⁵⁰ Peter H. Smith, "Strategic Options for Latin America," *Latin America in the International System*, ed. Joseph S. Tulchin and Ralph H. Espach (Boulder: Lynne Rienner Publishers, 2001), 38.

The examples of the Bolivarian norm emerging and transforming in LATAM are seen in Brazil, Argentina, and Venezuela with the creation of Mercosur and the Bolivarian Alternative to the Americas (ALBA)—both in response to U.S. hegemonic influence. From the U.S. perspective, the Washington Consensus was in full effect attempting to create a U.S.-led Free Trade Area of the Americas (FTAA).²⁵¹ The FTAA would have liberalized trade throughout Americas, and further enabled the U.S. to instill its hegemonic influence. Latin American countries, however, incurred a tremendous amount of debt in the 1980s because they lacked the market to exploit their own resources and collect the resources necessary for development.²⁵² Free trade with the United States would have increased the overall GDP of LATAM, but it would have also created an additional amount of dependency on the North American market.

The fear of LA succumbing to the U.S. was an undesirable option for Brazil. As continually seeking international recognition as an emerging power, Brazil was a driving force behind the creation and implementation of Mercosur. Mercosur created a market for integration and competition against U.S. hegemony for the developing nations. Peter Smith describes the four Latin American options that developing nations have for economic integration as bandwagon with the American market, create a regional market, seek extra-hemispheric integration, or take a unilateral approach.²⁵³ Argentina and Brazil decided on option two, and initiated Mercosur's economic integration that increased the regions total GDP in 1990–1995 from \$17 billion to \$714 billion as the fourth largest trading bloc in the world.²⁵⁴ This bloc allowed for a free trade area within Latin America, opposed the U.S. dominated global economy, and increased trading opportunities with other trading blocs and countries.

²⁵¹ Diana Tussie, "Latin America: Contrasting Motivations for Regional Projects," *Review of International Studies* 35, no. 1 (2009), 177.

²⁵² Ibid., 174.

²⁵³ Smith, *Strategic Options for Latin America*, 35–36.

²⁵⁴ Ibid., 41, 48.

A year after the emergence of MERCOSUR, the U.S. responded with the North American Free Trade Agreement, and the European Union emerged in 1994.²⁵⁵ With the MERCOSUR market as opposition to the U.S., Hugo Chavez also followed with ALBA.²⁵⁶ MERCOSUR and ALBA soon became the primary catalysts allowing the developing nations of LATAM to oppose a U.S. led free trade area with a Brazilian-led Mercosur market. This opposition to the U.S. arguably promotes a long-standing belief of non-intervention and Bolivarianism in Latin American. Ultimately, Brazil views itself as a major economic competitor with the ability to oppose U.S. hegemony.

Mostly dominated by Brazil and Argentina, MERCOSUR has increased free trade across the borders of Uruguay, Paraguay, and Venezuela. In addition to liberalization, MERCOSUR has opened the Southern Cone to the international trading market. According to the Inter-American Development Bank, MERCOSUR's largest trading partner in 1994 was the European Union at 30 percent instead of the United States that dominated the global economy.²⁵⁷ Among other trading partners to diversify MERCOSUR's markets are China, Japan, Caricom, and South Africa was added as a free trade agreement in 2000. This level of international relations and economic diversity allows the weak and less capable countries like Uruguay and Paraguay to rely on the political stability of a more capable Brazil through membership in Mercosur.

Without a strong economic power, these countries would not be considered in the world trade because they lack the amount of material goods individually to be relevant among the great powers. Subsequently, the use of MERCOSUR as an international organization is a liberal attempt to integrate economies of the weak countries that lack the material capabilities to form a bloc worthy of competition among the elite. Ultimately, the countries that form Mercosur endured the third wave of democracy in the 1980s, achieved economic integration in the 1990s, and utilized international organizations through trade

²⁵⁵ Arturo C. Sotomayor, "Which way to Go? Nafta, Mercosur and Protectionism," (Lecture, Naval Postgraduate School, Monterey, CA, February 28, 2013).

²⁵⁶ Tussie, "Latin America: Contrasting Motivations for Regional Projects," 170–171.

²⁵⁷ Inter-American Development Bank, "Recent Trends in Mercosur," <http://actrav.itcilo.org/actrav-english/telearn/global/ilo/blokit/mercor.htm>.

blocs and the Organization of American States (OAS) since its founding in 1948 for dispute settlements.

Brazil's role in multilateral trade organizations and pursuit of regional hegemony contradict the idea of common good and self-interests. Brazil is unwilling to surrender its power and sovereignty to a judicial or legislative body. To form a multilateral or regional coalition, each country gives up a certain portion of sovereignty under the notion that each member will benefit mutually. Brazil does not want to succumb to the power of another regional Latin American state. Therefore, its interest in regional integration vis-à-vis MERCOSUR is to increase its influence, and not for the common good of LATAM.²⁵⁸

MERCOSUR also presents challenges to Brazil's desire for global power. First, Brazil is prohibited from seeking bilateral or unilateral trade agreements without the consensus of the MERCOSUR member states. With Argentina and Venezuela as two of the most troubled economies in Latin America, Brazil's leadership has often ignored the rules governing the regional trade bloc. Additionally, Brazil has attempted to obtain an FTA with the EU, which was unsuccessful due to lack of consensus within MERCOSUR. Considering the creation of UNASUR to encompass MERCOSUR as one of its internal ministries, UNASUR still places it as a regionally focused organization with little relevance to Brazil's rise. Consequently, Brands argues that Brazil's diplomacy and trade policies are self-interested, thus limit their chance for global power to regional hegemony at best. With UNASUR and MERCOSUR unable to establish free trade zones and free trade agreements within the Latin American region, Brazil should consider the effectiveness of these regional trade blocs. Additionally, countries like Mexico that already sided with the North American giant and Chile that initiated a completely liberalized market show that the Latin American region is far too diverse in their political and economic stance in terms of liberalization. The overall global system appears to be shifting toward regional trade blocs with NAFTA and the EU as the two major players, and Brazil needs to exert its leadership in UNASUR or MERCOSUR to join the party or be left behind.

²⁵⁸ Brands, *Dilemmas of Brazilian Grand Strategy*, 37–40.

This chapter assessed Brazil's soft power diplomacy and global influence through its role in international and regional organizations. Having the economic power and lacking the military capabilities of a global power, Brazil's ability to exert influence is limited to regional and international organizations. In other words, Brazil does not inherently possess the ability to directly influence other world powers. Its influence indirectly influences the behavior of other nations through international organizations and laws established at the global level. The economic success over the last 20 years is garnering an increased voting share in several organizations: IMF, World Bank, WTO. Brazil is also able to take countries like the United States and Canada to dispute settlements. Brazil's limitation is that it lacks the ability to change the rules of the game in the international arena. Brazil, like all nations, is merely using the system to its benefit, and it will continue to do so long as it does not have to actually take full responsibility. The internal dilemmas in Brazil present a tough challenge for diplomats and public officials to further international aid, military acquisitions, and development programs when there is not a direct impact on the security of the Brazilian state or its national interests. This is why Brazil has historically possessed an internally focused foreign policy and protectionist market strategy as it continues to act as a middle power.

V. CONCLUSION

This thesis analyzed three primary and fungible aspects of Brazilian power: wealth (GDP/purchasing power/population size), land power (resources/military strength/energy consumption), and international influence (trade/role in IOs/alliances). Wealth, land power, and international influence were evaluated as the quantitative and qualitative aspects of power to understand if Brazil has achieved global power status given its recent economic expansion. Trinkunas argues, “A major power is characterized by more than size, population, and economic achievement.”²⁵⁹ Brazil has all of these three characteristics and it’s beginning to exert influence in the regional and global levels. Chapter I outlined three probable hypotheses for Brazil’s status. The first hypothesis is that Brazil is a global or world power. Second, that Brazil is a middle power. Third, Brazil is a regional power.

Chapter II assessed the extent to which domestic factors shape and influence the role of Brazil in world affairs, and the domestic political and political economic factors that contributed to neoliberal reform in Brazil. The analysis explained gradual market reform and shock therapy as the two most popular paths to economic growth that Brazil attempted during its military rule, transition to democracy, and consolidation of democracy phases. First, this chapter argued that economic crisis and an ideational approach (learning from previous mistakes) are the primary contributing factors to neo-liberal reform and the economic success of the Brazilian economy. Subsequently, this economic success provides the foundation for the argument of Brazil as a global power. Furthermore, the economic success of Brazil enables it to extend diplomatic influence through trade and partnerships. Overall, neoliberal reform explains how Brazil became open to trade; trade and partnerships provides a description of one dimension of Brazil’s power in the global arena. Finally, the emergence of Brazil as a competitive global market contributes to a shift in the international balance of power from a bipolar/unipolar to a multipolar system.

In the last 50 years, Brazil experienced periods of high economic growth, followed by recession, because its economy was reliant on the commodities market. When

²⁵⁹ Trinkunas, *Brazil’s Rise*, 1.

commodities prices dropped, Brazil's economy would suffer. To alleviate this pressure, Brazil diversified its trade partnerships and began to exert its influence in the global economy. The choice for neoliberal reform in Brazil went back and forth between drastic shock therapy and gradual market reform. The latter became the best choice, in the 1990s, with the Real Plan because the government learned from the previous failures of the shock therapy programs.

The Brazilian economy and its ability to exert influence through dispute settlements are the only examples of its ability to force another country outside of the Latin American region to do what it would not otherwise do on its own. The awarding of subsidies with cotton and aviation exports/imports supports the notion that Brazil influenced another global power. This ability is more of an example that Brazil is a developed nation with a strong economy, and further influence of global powers may support the notion of an expansion as a global power.

The EU, China, and Africa offer Brazil opportunities for future economic growth, but each partnership presents challenges as well. During last decade, Brazil has performed, developed, and sustained economic growth that has placed it as the seventh largest economy in the world. The consolidation of democracy and good economic policy show that Brazil is a rising economic power with diminishing debt and increasing surpluses. Internal dilemmas of income distribution, high taxes, and infrastructure deficiencies will continue to plague the country. Once Brazil is able to overcome these issues, it may gain more recognition as a world power. For now, Brazil will continue to be considered an emerging power or middle power alongside the other BRIC nations as it continues the quest to overcome the hegemony of the U.S. Improved relations with the U.S. may help to overcome this hurdle, but Brazil must be willing to align for or against the U.S. This means that Brazil must be willing to move away from its middle power and inward focused strategy and forge stronger foreign relations with or against the world powers. These relationships will give Brazil more diplomatic power alongside its economic power as a major hegemon among the world's elite countries. Based on the economy and trade, Brazil is far from reaching global power status, and it remains a middle power, which supports hypothesis two and three.

Chapter III assessed three aspects of Brazil's hard power capabilities: military spending, defense partnerships, and fungible assets. The economic capacity and military spending distinctly separates Brazil from the rest of LATAM. Out of the BRIC nations, India is the closest comparison in GDP and defense spending. Russia has a comparable GDP to Brazil, but spends roughly twice as much on its military. Similar to the United States, China has a significantly larger economy and higher expenditure in defense than Brazil, which shows that these two characteristics are necessary for global power status. Brazil has the largest GDP and spends the most in terms of defense expenditure in Latin America, but it is far from reaching global power status in these categories. Brazil's major limitation in defense spending is that it allocates almost three quarters of its budget to personnel. The defense spending requires more of a percentage of the overall GDP allocated to defense spending, which will allow Brazil to gain the assets and technology for global power status.

Brazil is using defense partnerships to transfer technology, but the nuclear and aviation additions will not be in service for at least another 10 to 20 years. The internal development of enriched uranium to fuel its future nuclear submarine is also not a guarantee. This is where additional defense partnerships could help to fill the gap in technology as Brazil strives for nuclear capabilities.

Brazil's fungible assets (actual military assets) have led to an increase in defense spending, and the size of its armed forces has Brazil as the strongest military state in Latin America. On the other hand, Brazil's military force is years away from procuring a larger force than the other BRIC nations. As of the data presented in Jane's and SIPRI, Brazil possesses enough military personnel and defense assets to defend itself from an invasion from any of the major world powers based on the ability to forward deploy tanks and personnel by the respective Naval vessels—except the United States. To gain a global power status, Brazil requires the ability to project hard power capabilities beyond the Latin American region. Brazilian military capabilities place it as a well-developed middle power or regional power, which supports hypothesis two and three.

Brazil's role in international organizations fails to support the notion under the Kantian triangle. The Kantian triangle proposes that states will seek activity in IOs that

other democratic global powers are in. Brazil has continually sought to create IOs with the CLEC and UNASUR as opposition entities to the hegemony of the United States. If Brazil was concerned with perpetual peace and global power status, it would seek more influence or position in the OAS and United Nations. UNASUR and CLEC were both created to exclude the United States, Canada, and other global powers. Although Brazil was active in the United Nations with its peacekeeping operations in Haiti, this exertion of influence was after years of failure to rebuild Haiti from a plethora of multinational organizations and nations.

Chapter IV assessed Brazil's soft power diplomacy and global influence through its role in international and regional organizations. Having the economic power and lacking the military capabilities of a global power, Brazil's ability to exert influence is limited to regional and international organizations. In other words, Brazil does not inherently possess the ability to directly influence other world powers. Its influence indirectly influences the behavior of other nations through international organizations and laws established at the global level. The economic success over the last 20 years is garnering an increased voting share in several organizations: IMF, World Bank, WTO. Brazil is also able to take countries like the United States and Canada to dispute settlements. Brazil's limitation is that it lacks the ability to change the rules of the game in the international arena. Brazil, like all nations, is using the system to its benefit, and it will continue to do so long as it does not have to actually take full responsibility. The internal dilemmas in Brazil present a tough challenge for diplomats and public officials to further international aid, military acquisitions, and development programs when there is not a direct impact on the security of the Brazilian state or its national interests. This is why Brazil has historically possessed an internally focused foreign policy and protectionist market strategy as it continues to act as a middle power, which supports hypothesis two and three. Ultimately, Brazil is a well-developed nation with middle and regional power status, and it will continue to have ambitions toward a global power status.

In summary, Brazil has the ability to influence states in the Latin American region, but it is in the beginning stages of its global influence. The strongest area for Brazilian influence globally is through its economic strength, which it will continue to attempt to

change the international rules of the game or the actions of other states against its interests. Militarily, Brazil is and will continue to be a regional/middle power based on its focus toward internal and national security. Brazil also lacks an ability to project force outside of LATAM; however, it possess a large enough force to prevent an invasion from most global powers—primary exception being the United States. When and if UNASUR and CELAC are able to exert influence outside of the Latin American region then Brazil may have an opportunity to exert political or military influence globally. Building alliances with or against the United States is Brazil's strategic option to rival the current global powers militarily. Most of the global powers have been challenged in war, thus giving them an opportunity to express hard power where Brazil has not. Finally, for Brazil to have enough influence to be considered a global power, it should use its political and economic success as a development model for failing or struggling states around the globe—similar to its recent developing relations with smaller African states and its operations in Haiti. For now, Brazil will continue to be plagued as the country of the future or a middle power with global aspirations.

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